FINANCIAL TIMES

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US mutual funds
The first stage of a global financial revolution
David Hale, Page 15

Mark Stabler
Man with a key to defusing the millennium bomb
Page 11

Poland
Divisions among Catholics over EU membership
Page 4

Japan
How serious are the signs of deflation?
Page 6

WORLD NEWS

Clinton may fail to secure $6.3bn funding for climate change programme

US president Bill Clinton is unlikely to secure $6.3bn from Congress to fund a US package to lead a fight against climate change, according to an administration document and US officials. Page 16

Kohl sees 'mighty push' for EU
German chancellor Helmut Kohl said introduction of the euro would "give a mighty push" to the process of political union in the EU. **Page 2; Observer, Page 15**

UN rejects resolution on Cuba
The United Nations Human Rights Commission rejected a US resolution condemning Cuba for human rights violations. It was the first such rejection for seven years. **Page 4**

Ex-ministers deny genocide link
Four former French ministers denied suggestions that France aided the Hutu regime in Rwanda to perpetrate genocide against the minority Tutsis in 1994. **Page 4**

New Caledonia accord
France reached an accord on its territory of New Caledonia that may settle the South Pacific island's political future. **Page 6**

Plan to tighten Baltic security
Sweden and Finland are expected to publish security proposals aimed at strengthening international weapons inspections in the Baltic Sea region. **Page 4**

Beef prosecution fails
A Scottish court threw out the UK's first prosecution under legislation banning the sale of beef on the bone. **Page 10**

Strikes hit Alitalia
More than 200 Alitalia flights were cancelled after flight attendants for Italy's national carrier went on strike. Striking pilots forced cancellation of another 61 flights.

Iraq renews attack on US
Iraq renewed criticism of the US and United Nations weapons inspectors a day after Washington accused Baghdad of not co-operating in inspections. **Page 5; Editorial Comment, Page 15**

Man shot in Ulster
A council worker was critically injured in a gun attack in Portadown, Northern Ireland. There was no immediate claim of responsibility for the shooting.

Murdochs separate
News Corporation chief Rupert Murdoch and his wife Anna have separated after 31 years of marriage. **Page 8**

UK claims human rights successes
The UK government claimed to have improved human rights in China and Indonesia, but conceded that its efforts in Nigeria had not succeeded. **Page 9**

UN threat to loggers
A senior United Nations official threatened to publish a blacklist of logging companies shown to be responsible for starting forest fires in Indonesia. **Page 6**

Vietnam warning
Vietnam's first deputy prime minister, Nguwen Tan Dzung, warned of growing economic difficulties and called for renewed efforts to implement structural reforms. **Page 6**

Prosecutions over oil spill
Authorities at the Welsh port of Milford Haven are to stand trial for the 1996 grounding of the tanker Sea Empress, which spilled 21m gallons of crude oil.

BUSINESS NEWS

Consortium led by Krauss-Maffei wins $5bn contract for battlefield taxi

A consortium of European companies led by Germany's Krauss-Maffei has won a $5bn contract for a European armoured carrier nicknamed the "battlefield taxi". Germany, France, Britain and the Netherlands will buy 5,000 to 6,000 vehicles in the next decade in one of Europe's biggest joint procurement orders. **Page 16**

Société Marseillaise de Crédit, the troubled French state-owned bank, is to be privatised via a trade sale. The finance ministry said the bank would be recapitalised "one last time".

Price Waterhouse's merger with Coopers & Lybrand has been cleared by Swiss regulators, removing the last potential barrier to completion of the $13bn accountancy deal. **Page 18**

SBF-Paris Bourse is to launch a European depositary receipt market next year to lure listings of emerging market companies from London and New York. **Page 18**

PolyGram shares weathered the Dutch entertainment group's announcement of lower first-quarter net income, down to Fl 15m ($7.4m) from Fl 122m a year earlier on poor record sales. **Page 18**

Citicorp was helped by bull markets to offset reduced income from Asian consumer banking. Net first-quarter income at the US bank was $1.065bn, up 7 per cent. **Page 17; Observer, Page 15**

Kimberly-Clark's foray into Europe produced a 19.3 per cent fall in first-quarter post-tax profits. The US consumer product group's net earnings were $298m. **Page 20**

MEPC, UK property company, is to sell eight US shopping malls for $871m to US real estate investment trust General Growth Properties. **Page 24 and Comment**

China Everbright directors have surrendered share options awarded just before the Hong Kong-listed company made a big acquisition last year. The shares rose 40 per cent two days after the options were granted. **Page 22**

San Miguel's ownership dispute took another twist when Eduardo Cojuangco used his investor-power to install three new directors at the Philippines food and drinks group. **Page 22**

World Competitiveness Yearbook ranks the US the most competitive economy with Singapore and Hong Kong second and third. **Page 7**

Japan's car output plunged last month as domestic demand collapsed and export growth slowed. **Page 17**

Vauxhall car workers are to vote on an offer that would link a three-year pay deal to the D-Mark-sterling exchange rate. Vauxhall is a General Motors offshoot. **Page 10**

General Electric Company of the UK is expanding its US defence interests with the $1.4bn agreed takeover of Texas-based defence electronics group Tracor. **Page 17; Lex, Page 16**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 39

EU leaders near deal on central bank presidency

Duisenberg may bow out voluntarily after four years to make way for Trichet

By Lionel Barber in Luxembourg

European Union leaders are edging toward a compromise to break the Franco-Dutch deadlock over the appointment of the future president of the European Central Bank.

Under the deal, Wim Duisenberg, the Dutch president of the European Monetary Institute, would be awarded a full eight-year term as ECB president with the understanding that he would voluntarily step down halfway through his term.

A gentleman's agreement would state that in the event of his death, removal from office, or early retirement, the top ECB post would go to Jean-Claude Trichet, governor of the Bank of France.

The Maastricht treaty stipulates that the ECB's president should serve a non-renewable eight-year term to buttress the future central bank's independence.

Senior EU officials cautioned that the planned compromise could still come unstuck in the run-up to an EU summit next week in Brussels. The meeting is due to decide the founder members of economic and monetary union, the conversion rates for euro-zone currencies, and the six-member executive board of the ECB, including the president.

Helmut Kohl, German chancellor, and other EU leaders are exerting behind-the-scenes pressure to avoid disrupting what has been billed as an historic summit for Europe. But diplomats remained worried about the unpredictability of Jacques Chirac, France's president.

Mr Chirac provoked the conflict over the ECB job late last year by nominating Mr Trichet as a rival candidate to Mr Duisenberg, the former head of the Dutch central bank. The Dutchman enjoys the support of the 14 other EU governments.

Another element in the deal is that the post of ECB vice-president would go to a small country, while Mr Trichet would agree to become an ordinary member of the executive board.

The pre-summit mood improved at a meeting of EU finance ministers in Luxembourg yesterday when Germany bowed to French-led pressure and softened demands for all euro-bloc countries to use windfall surpluses for debt repayment.

But Theo Waigel, German finance minister, stuck to calls for countries to correct unexpected budgetary shortfalls in the current year and to step up debt reduction, including a lowering of short-term borrowing as a proportion of total debt.

The German demands had caused irritation among several countries that insisted budgetary policy was a national responsibility. Dominique Strauss-Kahn, French finance minister, made clear that the left-wing government in Paris was intent on retaining flexibility.

The softening of Bonn's position improved prospects for a collective statement by the expected 11 members of the euro-zone in support of balanced budgets and an acceleration of debt reduction at the Brussels summit on May 1-3.

The incident nevertheless pointed to underlying tensions between German-driven demands for watertight guarantees that single currency countries will stick to fiscal discipline and the French-led view that growth and employment deserve equal weight.

Finance ministers agreed yesterday that it was essential EU leaders break the impasse over the ECB to avoid unsettling the financial markets and damaging the credibility of the new central bank.

The rivals, Page 2

Victory on the waterfront: sacked Australian dockers celebrating yesterday after a court ordered Patrick Stevedores, the country's second largest port operator, to reinstate 1,400 dockers it dismissed two weeks ago. The company later won a 24-hour suspension of the Federal Court ruling, which stated that Patrick might have engaged in an unlawful conspiracy when it sacked the dockers and replaced them with non-union labour. Report, Page 6. Picture: Reuters

Outrage at secret deal for UK to store nuclear waste

By our UK and international staff

A secret deal between Bill Clinton and Tony Blair for the UK to reprocess and store 5kg of Georgian nuclear material yesterday outraged environmentalists after details were leaked.

The decision to airlift the highly enriched uranium from a research reactor near Tblisi to a reprocessing facility at Dounreay in Scotland has sparked controversy because the US and France refused to take the waste.

However, the UK government said it was a "good-news story" because the UK was "doing its bit to prevent dangerous material getting into the wrong hands".

The British prime minister agreed to take the material when he went to Washington in February for a summit with the US president. Mr Clinton had been trying to find a safe home for it for two years, fearing it could fall into the hands of terrorists.

Russia and France both refused to take the waste. US officials indicated that concern about protests from environmental campaigners was one reason the uranium could not be brought into the US.

In 1994, a much larger US operation called Project Sapphire, which brought in 600kgs of highly enriched uranium from Kazakhstan to Tennessee, ran into protests and legal challenges from anti-nuclear campaigners.

The state department said the airlift was due to be completed "within days" but declined to provide further details because of security concerns.

The US will meet the transport costs. Dounreay said that it expected to cover its costs from sales of anti-cancer products generated by the reprocessing.

It added that the reprocessing was "relatively simple" and would be completed in "two or three days".

The Dounreay plant was criticised last year by the Nuclear Installations Inspectorate. A new condition was inserted into Dounreay's operating licence forcing it to obtain agreement from the NII before receiving any new irradiated material.

The NII said yesterday it wants Dounreay to modernise and upgrade its facilities and it is also concerned about on-site storage of reprocessed material. However, "in the interests of non-proliferation" it had given special permission for Dounreay to treat the Georgian uranium, of which 0.8kg is irradiated, but it said this was a "one-off".

There were signs that the Scottish Office was uneasy about the deal, because reprocessing at Dounreay has become an increasingly sensitive issue in Scotland in the past few years.

The Scottish Office said it had been consulted but that it was a matter for the Foreign Office. "It's not a question of us welcoming it or not welcoming it," a spokeswoman said.

Bob Maclennan, the local MP and Liberal Democrat frontbencher, said that some of his constituents might be concerned but he welcomed the move.

However, he criticised the government for keeping it secret.

Kevin Dunnion, of Friends of the Earth Scotland, said the consignment would "open the floodgates for nuclear waste to come to Scotland." Some of it, he said, was "likely to end up on the beaches round the accident-prone nuclear facility".

However, this was described as "absurd scaremongering" by a senior minister.

DFS delays $22m payment to Hawaii

By John Willman in London and David Owen in Paris

DFS, the duty-free shopping chain controlled by French drinks and luxury goods group LVMH, has delayed payments of $22m to the government of Hawaii for its monopoly concession at the US state's airports.

Payment of $25.5m was due on March 1, one of four quarterly instalments under the four-year concession agreed in 1996. DFS paid $3.5m for rent but agreed with the state's transportation department to negotiate deferral of the balance of the $22m minimum guaranteed share of profits from sales.

DFS, which operates mainly in the Asia-Pacific region, wrote to 5,000 drink, tobacco and luxury goods suppliers seeking an extension of payment terms from 30 days to 90, as part of a search for $200m in cost-savings this year.

The company has negotiated a rent reduction in its Hong Kong concessions, laid off more than 300 staff in the territory and announced the closure of five stores in the Asia-Pacific region.

Sales in Hawaii are down 20 per cent on last year following the financial turmoil in the Asia-Pacific region, which has led to a sharp drop in Japanese tourists.

Some DFS suppliers are refusing the request for delays in payments. When LVMH took control of DFS in 1996, suppliers warned that it would use its influence to benefit its own luxury brands. L'Oréal, the French cosmetics group, said yesterday it was in negotiations with DFS. It described the proportion of its turnover sold through the duty-free chain as "not negligible".

Other suppliers have reluctantly agreed, in some cases following negotiations for payment in less than 90 days or for improved display terms. Estée Lauder, the cosmetics group, has offered public support.

LVMH suppliers have also been expected to comply. They include Moët Hennessy, the champagne and brandy company, and luxury goods makers such as Louis Vuitton luggage, Christian Dior perfumes and Givenchy couture.

The delay in payments to Hawaii and suppliers repeats a strategy used to survive the downturn in tourism during the Gulf War in 1991.

The Hawaii transportation department said it had no concerns about the arrears as DFS had paid in full after the Gulf War: "It is a very good tenant and is having trouble coming up with financial projections. There is no point in setting up a plan until it has the figures."

In a letter to colleagues dated March 31 Myron Ullman, DFS chairman, outlined initiatives to prepare for "what may be a prolonged downturn in the business cycle".

Lex, Page 16

WORLD MARKETS

STOCK MARKET INDICES

New York: Lunchtime		
Dow Jones Ind Av	9185.75	(+23.91)
NASDAQ Composite	1896.47	(+9.33)
Europe and Far East		
CAC40	3950.40	(-25.29)
DAX	5368.94	(-53.08)
FTSE 100	5955.0	(+0.5)
Nikkei	15,825.67	(+128.57)
US Lunchtime RATES		
Federal Funds	5.37%	
3-mth Treas Bills: Yld	5.083%	
Long Bond	102½	
Yield	5.942%	
OTHER RATES		
UK: 3-mo Interbank	7⅜%	(same)
UK: 10 yr Gilt	110.703	(110.75)
France: 10 yr OAT	104.19	(104.46)
Germany: 10 yr Bund	107.77	(108.04)
Japan: 10 yr JGB	109.89	(110.04)
NORTH SEA OIL (Argus)		
Brent Dated	$13.85	(13.775)

GOLD

New York: Comex		
Apr	$311.2	(307.9)
London:		
	$308.55	(307.65)

EXCHANGE RATES

Dollar		
New York: Lunchtime		
£	1.678	
DM	1.78575	
FFr	5.9875	
SFr	1.4785	
Y	131.275	
London:		
£	1.6754	(1.6786)
DM	1.7904	(1.8024)
FFr	6.0019	(6.0415)
SFr	1.4872	(1.4944)
Y	131.385	(132.23)
Tokyo Close		Y 131.70
Sterling		
DM	2.9998	(3.0254)

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9 770174 736135 17

CONTENTS

Full contents and Lex back page

WORLD NEWS

EUROPE

Kohl pledges push for greater Europe integration

By Peter Norman in Bonn

Helmut Kohl, the German chancellor, yesterday pledged he would push for much greater European integration. He predicted that June's European Union summit in Cardiff would pave the way for a decentralised and federal EU after introduction of the single European currency at the start of next year.

Expressing his conviction that the euro would "give a mighty push" to the process of political union, Mr Kohl said his government saw the Cardiff meeting as the opportunity to prepare far-reaching institutional reforms in the following 12 months of the Austrian and German EU presidencies.

In particular, the summit should agree a clear definition of subsidiarity, the principle by which power is exercised as closely to the people as possible. This would be crucial to the future acceptance of Europe by its citizens, Mr Kohl said.

The chancellor rejected the notion of a European superstate. He declared: "I believe it has no chance. A centralised state would destroy Europe's regional cultures in all their glory".

Mr Kohl hinted that the German federal system, in which much power is devolved from the central government to the regional states and municipalities, was a possible model for the new Europe. He regretted that the EU treaties had so far failed to pay much attention to locally exercised power.

As he confidently fielded questions on the euro from the European and finance committees of the Bundestag (the lower house of parliament), it was easy to forget that Mr Kohl is lagging badly in the opinion polls ahead of a general election in five months, and that the euro is still deeply unpopular in Germany. Mr Kohl admitted that the single currency entailed risks.

"But if you just look at the objections, there would be no chance of taking this step for the foreseeable future," he told one Eurosceptic MP. "I am personally convinced that the preconditions for a stable currency have never been better."

Mr Kohl forecast that the euro-zone would have an "incredible appeal". He "prophesied" that Switzerland would be an EU member within 10 years and that Britain would join the euro sooner rather than later. "The City is already on that journey and where the City goes, so does Downing Street".

The euro would strengthen EU efforts to create a common foreign and security policy.

All German political parties except the former communist Party of Democratic Socialism have decided to support scrapping the D-Mark in favour of the euro in a Bundestag vote tomorrow.

The single currency is sure of overwhelming support from Mr Kohl's Christian Democratic Union, though Kurt Biedenkopf, the mercurial CDU premier of the state of Saxony, threatened yesterday to vote against the euro without binding commitments from Italy and Belgium to cut their debts.

Spain warned on olive oil output

By Michael Smith in Luxembourg

Franz Fischler, European Union farm commissioner, told Spanish olive oil producers yesterday they needed to "shoulder their responsibilities" and avoid over-production as EU nations prepared for the first big battle over reform of the Common Agricultural Policy.

Mr Fischler said regions which over-produced should pay a bigger price than in the past to help ensure that the EU did not produce more olive oil than it consumed.

Plans for reforming olive oil and tobacco are being considered ahead of those for the larger sectors of dairy, beef and cereals, which are not due for implementation until January 2000.

This has irritated some southern EU countries, which complain of bias towards sectors which are important to northern states.

Spanish olive oil producers have demonstrated against a European Commission proposal which would limit the amount of aid they receive to 40 per cent of the total available to the sector.

Loyola de Placio, Spain's farm minister, told colleagues at yesterday's meeting of agriculture ministers that the 40 per cent limit was calculated on the basis of years when her country was suffering from drought. She said four of the five years to 1996/7 used by the Commission in its calculations were unusually dry and it needed to take into account last year, which was closer to the average.

Italy, the other big grower, is more supportive of the Commission's proposals and is seeking an early decision to enable a new, temporary regime to be implemented in November when the existing arrangements.

War of nerves in EU's battle of the bank

The clash between the French and Dutch governments over the European Central Bank presidency is drawing to a climax, reports Lionel Barber

The race to become president of the European Central Bank has turned into a war of nerves between President Jacques Chirac of France and Wim Kok, prime minister of the Netherlands.

Neither Mr Kok nor Mr Chirac has retreated an inch in support of the rival candidates: Wim Duisenberg, president of the European Monetary Institute, and Jean-Claude Trichet, governor of the Bank of France.

On the contrary, public positions have hardened in the run-up to the European Union summit in Brussels on May 2-3, when the 15 heads of government decide which members will join the single-currency euro zone, the conversion rates for participant currencies, and the composition of the six-member executive board of the central bank.

The battle of the ECB presidency involves issues of principle. Mr Chirac is still furious that central bankers tried to engineer the succession to the ECB in the summer of 1996 when they put forward Mr Duisenberg to head the Emi, forerunner of the central bank. The French president insists that politicians – not central bankers – should have the last word on the ECB post.

But the dispute has also turned personal. The Dutch, perennial losers in the international job stakes, believe that Mr Chirac's campaign against Mr Duisenberg fits a pattern of hostile behaviour which began with his crusade against soft drugs laws in the Netherlands. The Dutch object, too, to Mr Chirac's claim that the first ECB president should be a Frenchman to balance the earlier decision to locate the bank in Frankfurt, Germany.

The difficulty in reaching a compromise is compounded by the fact that both Mr Chirac and, to a lesser extent, Mr Kok are acting from a position of weakness.

Mr Kok faces a general election on May 6. Any sign that he is softening support for his candidate would be political suicide.

Mr Chirac has still not recovered from the crushing blow to his authority when he gambled on early parliamentary elections a year ago and lost to the Socialists. This may explain why he has signalled privately that a postponement of the ECB decision until after the Dutch election may improve the chances of a compromise.

Senior diplomats in Brussels believe this is a miscalculation. "The Dutch government will have no more room for manoeuvre after the election," says a EU diplomat. "They are determined that Duisenberg gets the job. If Chirac blocks him, the Dutch will veto Trichet."

Hopes of a compromise may rest on Chancellor Helmut Kohl of Germany. He has the political weight to put pressure on the unpredictable Mr Chirac, but he is also on good terms with Mr Kok, whom he prefers to Ruud Lubbers, his predecessor. Mr Kohl said yesterday: "I am absolutely certain that the decision will be taken on the evening of May 2, and that it will be in consensus. I am absolutely certain that it will be a decision that is beneficial for the reputation of this institution."

Tony Blair, UK prime minister, who holds the rotating EU presidency, is also expected to help negotiate a deal at the summit next week.

One proposal floated late last year involved splitting the eight-year term for the ECB president – either on a shared four-year basis, or with a less generous two years for Mr Duisenberg, followed by six years for Mr Trichet. But the word in Brussels is that a formal split is not compatible with the Maastricht treaty.

A second option involves a gentleman's agreement between the Dutch and the French that Mr Duisenberg would be awarded his eight-year term, but would agree to step down after four or five years. But the Dutch, among others, are worried that Mr Chirac wants something in writing.

This would compromise the independence of the ECB president, according to leading central bankers.

A third option is that Mr Duisenberg would serve eight years, but Mr Chirac would be offered generous compensation. This would include giving the vacant job of President of the European Bank for Reconstruction and Development to a Frenchman, most likely Phillipe Lagayette, head of the National Savings Bank.

EU leaders could also award Mr Trichet the job of an ordinary member of the ECB executive board. He would then serve an eight-year, non-renewable term, with the prospect of moving up to the job of president on the understanding that Mr Duisenberg, 63, would retire early.

The subtlety of such a move is that if Mr Trichet was appointed vice-president it would rule out his chances of taking the top job, because the number two slot serves only a four-year, non-renewable term at the ECB.

Finally, there are rumours of Franco-German manoeuvres over the appointment of the next president of the European Commission, to succeed Jacques Santer, whose term expires in January 2000. However, Mr Kohl, facing a tough re-election battle in September, may not be around to make good any pledge; and such a Franco-German deal could backfire as it did in 1994, when Paris and Bonn sought to impose their own candidate, Jean-Luc Dehaene of Belgium, on the rest of the EU.

The French and Dutch were apparently edging towards a deal last week until Mr Chirac baldly restated his support for Mr Trichet at a news conference. Mr Kok promptly warned that he would give the French "a dose of their own medicine" if they blocked Mr Duisenberg.

The Maastricht treaty stipulates that the ECB must be up and running by July 1 1998. The longer the delay in choosing a president, the greater the damage to the credibility of the new institution and the greater the risk that financial markets could be unsettled. Time is running out.

The rivals: Wim Duisenberg of the Netherlands (left) and the Frenchman Jean-Claude Trichet are battling to run the ECB when it starts operations in its Frankfurt headquarters in July

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NEWS DIGEST

EASTERN EUROPE'S ECONOMY

Higher growth forecast but Asia may have impact

The United Nations Economic Commission for Europe expects higher growth in eastern Europe and the former Soviet Union this year than last, but warns that the impact of the Asian crisis on the region may upset predictions.

In its annual economic survey published today, the ECE says that last year was the first since 1989 to register positive aggregate growth, of 1.7 per cent, largely due to a stabilisation in Russian output after seven years of decline. Growth in eastern Europe is expected to accelerate this year to 4.5 per cent from 2.8 per cent in 1997, though this results more from an end to slump in Albania, Bulgaria and Romania rather than any general speeding up. **Frances Williams, Geneva**

GERMAN TRADE

Surplus widens to DM11.7bn

Germany's trade surplus widened to DM11.7bn ($6.4bn) in February from DM6bn in January, while the current account showed a surplus of DM0.2bn compared with a deficit of DM13.5bn the previous month, according to provisional figures from the Federal Statistics Office.

Economists had been predicting a trade surplus of DM11-12.5bn, while forecasts for the current account ranged between a deficit DM2bn and a surplus of DM1bn.

The January trade surplus was revised to DM6bn from DM6.3bn, and the current account deficit was revised to DM13.5bn from DM12.5bn originally.

● *German M3 growth in March accelerated to 5.1 per cent* from 2.8 per cent in February on the back of strong lending to both the public and private sectors and as money capital formation eased. **Agencies, Wiesbaden and Frankfurt**

NIGHT FLIGHTS

Brussels considers rules

The European Commission is considering whether to impose rules limiting night flights at European Union airports, Neil Kinnock, EU transport commissioner, said yesterday. Discussions were at a "very preliminary stage", Mr Kinnock said, but it was important to clamp down on unfair competition between airports resulting from different rules and to protect people living close to airports from excessive noise at night.

Air express carriers have become very critical in recent months of legislation in some EU states setting night-flight restrictions or curfews at some airports, while airport authorities themselves complain that traffic is being diverted to less regulated destinations. **Reuters, Brussels**

EU INSTITUTIONS

Complaints rise by 40%

Complaints of maladministration against European Union institutions soared by 40 per cent in 1997, the EU ombudsman, the Union's main watchdog, said yesterday.

The annual report from Jacob Soderman, who was appointed EU watchdog in 1995, showed complaints by citizens and officials rose from 842 in 1996 to 1,181 last year. **Neil Buckley, Brussels**

New Russian market rules

By Chrystia Freeland in Moscow

Russia's stock market watchdog agency yesterday announced new rules to protect minority shareholders, in an effort to strengthen shaky investor confidence in the nascent equity market.

Dmitry Vasiliev, chairman of the Federal Securities Commission (FSC), said the new regulations were likely to come into force in early May but warned they would be fiercely opposed by some of Russia's powerful financial magnates.

The new rules will compel companies to disclose more information to their shareholders before registering new share issues with the FSC and will tighten control over closed subscriptions to share issues.

Over the past few months a rash of high-profile abuses of minority shareholder rights have hurt Russia's financial reputation. The FSC, which banned one controversial convertible bond issue which would have diluted minority shareholder rights, is trying to strengthen the legal framework.

"The dilution of shares, the dilution of packages that belong to shareholders, above all to minority shareholders this is the main problems that exists and the Commission gets complaints from shareholders," Mr Vasiliev said. "The problem is that majority shareholders can abuse the rights of minority shareholders."

Mr Vasiliev said that *among* the most important of the new measures were more stringent requirements for the disclosure of information. Companies will be compelled to inform their shareholders about prospective new share issues at least a month before they submit their prospectuses to the FSC for registration.

"Our experience shows that in some cases when we get documents we cannot find out what violations were committed during the issue of securities without a response from investors," Mr Vasiliev said. "If we give investors a month they will have an opportunity to respond to possible violations and complain to the FSC."

Mr Vasiliev said the FSC *was also introducing a number* of other regulations, including independent appraisals of the value of proposed share issues, tighter control over in-kind payment for shares and a new requirement that general shareholders' meetings approve closed subscriptions for new share issues in large companies.

The FSC also announced its verdict on a controversial share issue by Moscow City Telephone Network (MGTS). Although investors complained that the issue would dilute minority shareholders, Mr Vasiliev said it had been described in the company's privatisation plan and the investors had therefore been appropriately warned.

CZECH REPUBLIC PRESIDENT'S ILLNESS CASTS PALL OVER ELECTIONS

Havel's health renews poll fears

By Robert Anderson in Prague

Vaclav Havel, the Czech *president, was recovering* yesterday from his third operation in a week, raising questions about his fitness to guide the country through difficult parliamentary elec*tions in June.*

Mr Havel, 61, became ill last week while on holiday in Austria and was taken to hospital in Innsbruck, where doctors operated on him for *a perforated intestine.* Although he remains in a serious condition, doctors say his illness is not life threatening. He has cancelled all duties until the *end of May.*

The former dissident playwright, narrowly re-elected as president in January, has been in poor health since an operation to remove a lung tumour *in December 1996.* He has spent several periods in hospital.

Although the Czech president has *few* executive powers, Mr Havel used his considerable personal authority to push Vaclav Klaus into stepping down as prime minister after his governing coalition collapsed in November. Mr Havel also oversaw the building of a caretaker government to lead the country to early elections.

The elections are unlikely to deliver a firm verdict. Opinion polls indicate that neither the former rightwing coalition nor the opposition Social Democrats and their *potential* allies will be capable of forming a majority government. Both sides have ruled out a grand coalition.

Mr Havel, who helped negotiate the formation of *Mr Klaus's minority govern*ment after the indecisive 1996 elections, had been expected again to persuade the parties to compromise. "It would be a test of politi*cal maturity," said Ivan* Gabal, a former adviser. "In the past the parties have simply not been capable of forming a coalition without him."

Although Mr Havel is still popular as a result of his role in bringing down communism, his public support has slipped because he is perceived as increasingly remote from ordinary Czechs.

He has also antagonised both the right, who allege he undermined the government of Mr Klaus, and the left, who accuse him of favouring *a grand coalition or non*-party government.

In recent weeks Mr Havel has said that he intends to play a more visible role in domestic politics. He has annoyed Milos Zeman, leader of the Social Democrats, by pointing out that the constitution does not compel him to appoint the leader of the largest parliamentary party as prime min*ister. Mr Zeman commented* that the president should reflect that he was only re-elected by parliament by one vote.

But all the main parties agree *there is no obvious* candidate to succeed Mr Havel. Any successor would find it difficult to exert as much influence as a spokesman for Nato and European Union enlargement.

Presidential duties: Vaclav Havel (left) in Poland last month before his latest illness caused him to cancel all meetings AP

Deputies urged to yield to Yeltsin

By Chrystia Freeland

Russia's smaller leftwing parties yesterday called on the Communists to back down in their battleover the appointment of Sergei Kiriyenko as prime minister.

The Duma, the lower house of parliament, has already twice voted against the appointment of Mr Kiriyenko, the nominee of President Boris Yeltsin. The Duma will hold a third and final vote on Mr Kiriyenko on Friday.

If parliament opposes him a third time, Mr Yeltsin will have the right to dissolve the legislature and call new elections.

To prevent that drastic measure – and save their own jobs – participants in a meeting of leftwing groups urged the Communists, the largest party in the Duma, to endorse Mr Kiriyenko. "It was a heated discussion, but *most of the participants* agreed that the State Duma should be preserved," said Gennady Selezniev, Communist speaker of the Duma.

A moderate who has devel*oped close ties to the Krem*lin, Mr Selezniev said he would try at a party meeting tomorrow to persuade his more hardline colleagues to give in to the president. "They are mature people and I hope they will understand that the president should not be left to rule Russia alone, without the Duma," he said.

Most political analysts pre*dict that Mr Selezniev's cau*tious counsel, and the parliamentarians' strong instinct for self-preservation, will prevail. But for now, Gennady Zyuganov, the Commu*nist leader, is holding firm.* He said yesterday that his party would again reject Mr Kiriyenko on Friday.

One of the Kremlin's parliamentary allies took that *stance seriously,* warning that the Duma's verdict was still impossible to predict. "Everything depends on the leftwing opposition," said Vladimir Ryzhkov, deputy speaker of the Duma.

Istanbul mayor faces jail sentence

By John Barham in Ankara

A Turkish security court yesterday sentenced the mayor of Istanbul to a 10-month jail sentence for a speech he made last December in which he said: "The minarets are bayonets, the domes helmets, the mosques our barracks, the believers our soldiers."

The court rejected the claim by Recep Tayyip Erdoğan, the leading member of the Islamist Virtue party, that he was quoting from an unnamed Turkish poet. Mr Erdoğan was convicted of promoting differences between people based on race, religion, class or region, an offence under the Turkish criminal code.

Mr Erdoğan said: "We are the people who believe in the supremacy of the law and our reason for being is to struggle for a state based *on law. This decision is not* important for me. The important thing is to be in the heart of the nation. Our legal struggle will continue to the end."

He said he would appeal to the Supreme Court. However, an official of the Electoral Commission said that if his conviction was upheld, Mr Erdoğan would be banned from public office, and would be unable to stand in general elections expected next year.

Mr Erdoğan, 44, has emerged as one of the Islam*ist movement's most popular* leaders, second only to Necmettin Erbakan, founder of Welfare the predecessor of the Virtue party. Commentators believed he would try to *strengthen his position in* the party after a decision in January by the Supreme Court to ban Mr Erbakan from politics for five years and close down Welfare.

Virtue, the country's largest political party, is running a close second in opinion polls to the Secularist and Conservative Motherland party of Mesut Yilmaz, the prime minister.

Poland's nationalists seek to win clergy's political blessing

Far right of Solidarity is preaching gospel of euroscepticism over EU membership and is looking to the Catholic Church for backing, writes **Christopher Bobinski**

The Catholic Church in Poland showed impressive political determination in surviving its post-war confrontation with the country's communist rulers. But now the drive for European Union membership which presages big economic and social changes is setting new challenges for an institution to which many Poles still look for leadership on important issues.

The Church's very cohesion could be at stake as the majority of bishops have taken their cue from the Polish-born Pope John Paul II and embraced the cause of EU entry. An episcopal delegation including Cardinal Jozef Glemp, the conservative Polish primate, travelled to Brussels last autumn in a visit designed to show support.

But now traditionally Catholic nationalist politicians on the far right of the ruling Solidarity Electoral Action group (AWS) are questioning the extent to which Poland should sacrifice some of its newly won sovereignty on the altar of EU membership. And they are looking to the Church to back their stance.

Their most vocal outlet is Radio Maryja, a national station owned by the Redemptorist fathers and run by Father Tadeusz Rydzyk, a 53-year-old charismatic figure who combines religious fervour with nationalist emotion.

Fr Rydzyk's flair for fundraising has enabled the station to flourish since it was set up in 1991. The steady flow of funds from devoted listeners and the fact that the Redemptorists are a religious order not directly under the jurisdiction of the Polish Church has allowed the station to retain a measure of independence.

Fr Rydzyk's influence is considerable. Maryja has a 7 per cent audience share which makes it the country's fourth largest station and its mostly elderly audience can be a formidable force at elections. Fr Rydzyk showed this last autumn when his appeals to the station's 3m or so listeners mobilised a big portion of the AWS's victorious electorate.

The station also propelled more than 20 of its own candidates into the Sejm, parliament's lower chamber elected under a proportional voting system, simply by dictating their names over the air. It is now poised to repeat the stratagem in local government elections later this year when an expected low turnout will favour disciplined political groups.

Radio Maryja also put its supporters into the Senate, the other parliamentary chamber, which is elected through a first-past-the-post system. It was here last week that these Eurosceptics scored their first victory by getting a majority for a resolution which demanded that Poland should ensure it would be entering an EU which "respects the sovereignty of individual nations and states".

Poland's EU membership negotiations started at the end of last month and the skirmish in the Senate showed that as Brussels steps up its demands for Poland to adapt to EU rules, sovereignty will be one of the main issues on which the argument will turn.

Meanwhile, many Polish bishops, who praise Radio Maryja for its religious programmes, are appalled by its illiberal tone. News items on foreign investments in Poland begin with the words: "The sell-out of our national assets continues." It airs listeners' calls expressing thinly veiled anti-semitic views which go unchecked by the station's presenters.

Criticism of the station voiced by Bishop Tadeusz Pieronek, who represents the Church in its dealings with the state, has earned him the fierce enmity of the nationalists. Archbishop Jozef Zycinski of Lublin – another liberal in Church terms – has been criticised publicly by Senator Krystyna Czuba, a frequent Maryja contributor.

In another sign of growing tension, Fr Jozef Tischner, a philosopher on the Church's liberal wing, publicly accused Radio Maryja of seeking to "close Poland off from the west" and implied that Fr Rydzyk would benefit from psychiatric care.

Thus it was with an almost audible sigh of relief that the bishops greeted the findings of a recent survey on parish priests' attitudes on the EU conducted by the Institute of Public Affairs, a non-partisan think-tank. The survey showed the Church's rank and file still take their tone from their leaders and had 84 per cent favouring Poland's EU entry application. And while many of these well-travelled and multilingual priests said they listened to Radio Maryja, they also tended to ignore its political stance.

The study destroyed the stereotype of the Polish Church as a conservative force panic-stricken at the implications of EU membership. It showed that the clergy clearly saw that secularising trends had arrived with the greater freedom following the fall of communism in 1989 and would continue to develop regardless of whether Poland joined the EU or not.

But it also demonstrated that the Church remains fertile territory for the nationalist right, with 81 per cent of the priests declaring that the EU ought to be no more than an association of sovereign states and a mere 8 per cent in favour of a closer-knit federation.

Spreading the word through Radio Maryja in Torun, Poland EPA

Finns and Swedes in plan for Baltics

By Tim Burt in Stockholm

Sweden and Finland are expected to publish today security proposals aimed at stepping up international weapons inspections and verification programmes in the Baltic Sea region.

The security document – due to be unveiled in Vienna at the Organisation for Security and Co-operation in Europe – has been drafted partly to counter Russian proposals last October for a security pact built around the Baltic states of Latvia, Lithuania and Estonia.

Swedish and Finnish government officials, who responded coolly to the Russian overtures, yesterday said the new document would reinforce "confidence-building" measures between Russia and countries bordering the Baltic Sea.

Under the proposals, the two countries will offer more frequent inspections of their armed forces to the other countries in the region, while seeking reciprocal arrangements with other members of the Baltic Sea Council – comprising the five Nordic countries, three Baltic states, Poland, Germany and Russia.

"We are not interested in the Yeltsin idea of a security pact, but wish to see more transparency in military issues," said a senior Swedish foreign ministry official.

Lena Hjelm Wallén, the Swedish foreign minister, yesterday signed the draft agreement at a meeting with Tarja Halonen, her Finnish counterpart.

The document will be presented to the OSCE for further discussion before being formally proposed to governments in the Baltic Sea region.

Russia has already proposed a separate raft of measures aimed at placating the Baltic states. In a visit to Stockholm last December, President Boris Yeltsin pledged to reduce ground and naval forces in north west Russia by 40 per cent.

Former ministers deny aiding genocidal regime

By Robert Graham in Paris

Four former French ministers including ex-premier Edouard Balladur yesterday denied suggestions that France had aided the Hutu regime in Rwanda to perpetrate genocide against the minority Tutsis in 1994.

Mr Balladur, premier between 1993 and 1995, not only defended France's role but indirectly accused the US of standing idly by and blaming Paris for being party to the genocide.

His vigorous defence of French policy was expected, but his appearance before a parliamentary commission of inquiry into France's role in Rwanda set an important precedent in parliament's attempts to submit overseas actions by the administration to greater scrutiny.

It was the first time so many senior members of any government had been called to account on a sensitive issue of recent foreign policy. African policy has traditionally been the least transparent and has been managed direct from the Elysée presidential palace.

The inquiry, which covered the period between 1990 and 1994, began last month after a series of press reports indicated that successive governments had supplied military aid to the Hutu regime both before and after the genocide began in the spring of 1994.

Alain Juppé, then foreign minister, spoke in similar vein to Mr Balladur, while François Léotard, then defence minister, praised the armed forces for their humanitarian mission and attacked the media for casting aspersions on France's motives in Rwanda.

Mr Léotard denied suggestions that France had supplied the two missiles which brought down an airliner at Kigali airport, killing Hutu president Juvenal Habyarimana, Burundian president Cyprien Ntaryamira and sparking the genocide.

Bertinotti keeps options open

By James Blitz in Rome

The leader of Italy's Reconstructed Communists is leaving open the possibility that his party will vote against the government's finance bill this autumn, despite giving support to an outline budget presented at the end of last week.

Fausto Bertinotti, the Communist leader whose 34 deputies provide the government with an overall parliamentary majority, has said he will back the outline document which sets out plans to reduce the budget deficit in 1999.

But Mr Bertinotti said yesterday that he was determined to maintain a "free hand" over the main finance bill, which sets out the government's budget plans in greater detail and is voted on by parliament at the end of the year.

Mr Bertinotti, who temporarily brought down Romano Prodi's administration last autumn, said he regarded the outline budget, which underpins Italy's bid to join a single European currency as an "indicative" document.

But he reiterated his opposition to several features of government action, including social questions, education and development of the south.

"Nobody seriously imagines that we have locked ourselves into a corner, just because we've voted a good indicative document," he was quoted as saying in the Il Sole 24 Ore newspaper. "Having a free hand and an independent mind means not binding yourself, it means intervening and coming to a judgment if things change," he said. Mr Bertinotti's position must be seen against the backdrop of a fierce row within the Reconstructed Communists over its stance towards Mr Prodi's administration once Italy gets the go-ahead to join a single currency.

The Communists' president, Armando Cossuta, favours making a firm commitment to back the Prodi administration but Mr Bertinotti's comments have triggered speculation that he could threaten to bring the government down this autumn. One factor tempting Mr Bertinotti is that Italy will enter a six month period at the end of this year when no elections can be held because they mark the conclusion of President Oscar Luigi Scalfaro's term of office.

This would allow the Communists to make new demands over the finance bill without risking an election, a development in which the party – on its current electoral showing – would suffer a serious reverse.

Even if Mr Bertinotti were to threaten the government, Mr Prodi could enter into a new alliance with centre-right deputies under the leadership of former President Francesco Cossiga, who favours Italy's entry into Europe. However, an alliance of this kind would bring renewed tensions within the coalition of forces that make up Italy's centre-left government.

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Kenya's economy, hit by sleaze, debt and El Niño, is caught in a destructive spiral

The scale of the unfolding crisis has taken many by surprise, writes **Michela Wrong**

Struggling to explain how Kenya reached its current predicament, Micah Cheserem cites the story of the frog sitting in a pan of water.

"The temperature keeps rising and every time the frog says: It's painful, but I can take it. In the end, of course, the frog is boiled alive," says the central bank governor. "For too long, Kenyans told themselves they could take the heat. Far earlier, we should have said: 'There's a problem here we have to tackle'."

Only four months after President Daniel arap Moi won a fifth term in office, Kenyans are belatedly registering that the water is close to boiling point.

"It's bad. I've never known it worse," Manu Chandaria, chairman of the Kenya Association of Manufacturers, told local businessmen recently.

That a serious downturn was to be expected had been clear since last year.

The August cut-off in assistance from the International Monetary Fund and World Bank, exasperated by government sleaze, hit foreign investor confidence and was soon followed by the systematic withholding of bilateral aid.

The El Niño weather phenomenon devastated agriculture and smashed the infrastructure, while ethnic killing triggered the virtual collapse of the key tourist industry, with bookings down 40-60 per cent. Just when the government should have been cutting expenditure, it doubled teachers' pay, adding an unbudgeted Ks11.5bn ($193m) to the wage bill.

Despite such pointers, the scale of the unfolding crisis has taken many by surprise.

Once targeted at 1.7 per cent of gross domestic product, the budget deficit is now expected to rise to 3.9 per cent. Growth this year, which the finance minister, Simeon Nyachae, acknowledges needs to top 8 per cent if Kenya is to progress, is now estimated at 1-2 per cent, with some businessmen saying negative growth is a strong possibility.

In a continent where governments are obsessed with external debt, Kenya is having trouble servicing a very different kind. Domestic debt – money borrowed locally to cover the ballooning deficit – will soon reach a record Ks158bn, costing Ks32bn a year to service.

The government is caught in a destructive spiral: forced to issue ever more Treasury bills at ever higher interest rates to pay interest on previously issued bills. Interest on the 91-day bills already stands at 27 per cent, pushing bank rates to levels where credit becomes cripplingly expensive.

If that trend continues, experts estimate, in two years 95 per cent of government expenditure will be going on wages and interest payments, with only 5 per cent left for development and maintenance.

The government's options are limited.

Recent months have seen an unprecedented flurry of action in the hunt for cash. Steps have been taken to halt rampant petrol smuggling. Politicians who dumped untaxed sugar on the local market have had to pay duty. Directors who took out unsecured loans from the state-owned Kenya Commercial Bank (KCB) have been sacked. A national census of teachers, aimed at eliminating "ghost" workers, has been launched.

When it became clear this was not enough, Mr Nyachae said the teachers' five-year pay rise could not be implemented and he wanted to see a 20 per cent cut in the wage bill every year.

If these threats are put into effect in the June budget, they carry the risk of widespread industrial action.

Another way of raising revenue would be to speed privatisation. But readying such unwieldy monsters as Kenya Posts and Telecommunications for sale takes time. And problems at KCB have highlighted another issue: many parastatals have been too thoroughly milked to appeal to purchasers in their current state.

Given these obstacles, many pin their hopes on the mending of relations with donors and a resumption of aid flows. They point to the start of the trial into the Goldenberg scam, which implicated top treasury and central bank officials, as a sign Mr Moi is finally tackling corruption.

But the IMF is not due to visit Kenya again until August. Talks could drag on for months and it is quite possible the IMF will conclude the government's anti-graft drive is little more than a public relations ploy.

The only recent grant, a $100m World Bank emergency fund to repair El Niño's ravages – will not be approved until June. Insiders say that further funding looks unlikely.

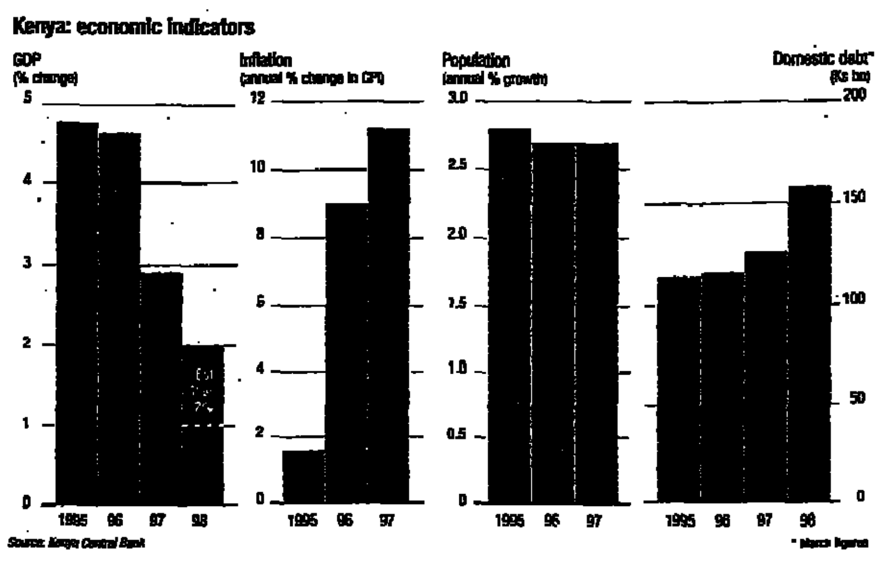
"I don't expect the IMF to come back for at least a year," says a diplomat. "It is going to be a very hard year and a lot of people are going to go hungry."

Optimists pin their hopes on the new parliament, which for the first time holds a significant number of opposition members. With Mr Moi making noises about burying past differences, they believe there is an opportunity for all-party co-operation to tackle the nation's problems.

"The economy is on its knees and the leaders for the first time know it," says Mr Cheserem. "This time there is no room to manoeuvre. Sometimes you need a crisis to wake people up."

But many analysts say that on the contrary, the question of who will fill the vacant vice-presidency, thereby becoming Mr Moi's successor, so preoccupies the ruling Kanu party that key decisions are simply not being taken.

The élite is obsessed with the struggle for succession rather than focusing on the issues, says an official from a lending institution. "Our impression is many cabinet members simply don't see the danger looming."



Iraq renews attack on US

By Roula Khalaf in London

Iraq yesterday renewed its attacks on the US and the United Nations weapons inspectors, a day after the State Department accused Baghdad of failing to co-operate with inspections.

Tariq Aziz, Iraq's deputy prime minister, told state television the US had used mercenaries as arms inspectors to maintain the UN sanctions imposed on Iraq since its 1990 invasion of Kuwait.

On Monday, James Rubin, the State Department spokesman, said a new report by Richard Butler, head of the UN arms inspectors, had indicated that Iraq had not complied with UN Security Council resolutions "in any area of substance".

He said the report showed Iraq had failed to co-operate in coming forward with information needed to allow the UN to conclude Iraq had indeed destroyed the weapons.

Editorial Comment, Page 15

Israelis cool on London talks

By Judy Dempsey and Avi Machlis in Jerusalem

Israel yesterday played down expectations of any breakthrough in the stalled peace negotiations when Madeleine Albright, US secretary of state, holds talks in London next month. She is scheduled to meet separately Benjamin Netanyahu, Israeli prime minister, and Yassir Arafat, president of the Palestinian Authority.

"To raise expectations would probably be counter-productive," said David Bar-Illan, Mr Netanyahu's adviser.

The change in tone coincides with growing pressure from both Washington and the European Union to break the year-old impasse in the talks after Israel started building a new Jewish settlement at Har Homa in occupied Arab east Jerusalem.

Both US and EU diplomats, consulting regularly, realise time is running out for the implementation of the interim Oslo agreements which were to pave the way for a final peace settlement between Israel and the Palestinians. The five-year interim period expires on May 4 next year, exactly a year after the London meeting.

Mr Arafat has pledged to unilaterally declare a Palestinian state in May, 1999 – and the main Arab states are almost certain to back him unless there is movement on the peace process in the next two months. Yesterday, Mr Netanyahu said: "If Arafat takes unilateral action...we will have to consider what unilateral actions we take on the territories under our jurisdiction."

West Bank territory is divided into three areas. The PA fully controls Area A, or about 3 per cent of the land. Israel has security responsibility and the PA civilian control over Area B, 27 per cent of the West Bank. And Israel has full control over Area C, the remaining 70 per cent.

Under the Oslo accords and the January 1997 Hebron accords – signed by the Netanyahu government – Israel was to hand over unspecified amounts of West Bank territory to the PA in three stages, to be completed by the middle of June this year. So far, no troop pull-backs have taken place. The PA rejected the first one, proposed in March 1997 on the grounds that the two per cent of land being offered by Israel was inadequate.

Mrs Albright's proposals, not yet formally presented to Israel, envisage Israel handing over 13.1 per cent of land to the PA. But Mr Netanyahu, according to advisers, is unwilling to consider anything above 9 per cent. But Mr Netanyahu could face more pressure from within his own government not to carry out any redeployments now that he is negotiating to get the far-right Moledet party into his coalition. Moledet is vehemently opposed to the Oslo accords.

Unhappy birthday, Page 14

Shell quits climate lobby

By Leyla Boulton, Environment Correspondent

Royal Dutch/Shell, the world's largest oil group, said yesterday it was pulling out of the main US industry organisation lobbying against the Kyoto climate change treaty.

Mark Moody-Stuart, chairman of Shell Transport and Trading, the UK-listed arm of the $190bn group, said the company had irreconcilable differences with the so-called Global Climate Coalition.

He said that unlike Shell, the GCC opposed both ratification of the Kyoto protocol and targets for reducing greenhouse gas emissions linked with climate change.

Shell's move was welcomed by environmentalists as helping to break down industry resistance to action to reduce fossil fuel consumption linked to climate change. Greenpeace, the pressure group, said it sent "a very clear signal to the other oil companies that the times of trying to scupper climate change accords are over".

The group has been a member of the GCC, which represents most of the US fossil fuels, manufacturing and energy-intensive industry, through its US subsidiary.

Shell's announcement follows a similar one more than a year ago by British Petroleum. Its smaller rival is often seen as more nimble in promoting its green credentials to the public.

Mr Moody-Stuart was presenting a report which for the first time seeks to assess Royal Dutch/Shell's environmental and ethical record against new more proactive principles on non-financial issues.

The report is part of Shell's attempts to clean up its act following public protests over its failure to act on human rights violations in Nigeria and its abortive attempt to dump the Brent Spar oil rig at sea.

The report's most striking disclosure was that 23 Shell employees were sacked last year for violating the company's no-bribes policy. Mr Moody-Stuart said most of the offences were in Nigeria, Latin America, and Asia. They ranged from taking money for admitting people into Shell offices to one case in the North Sea, where an employee had sold commercially sensitive information to competitors.

The anti-corruption stand had already prompted Shell to pull out of a joint venture in which its partner had been involved in paying bribes to local officials, he said. It had also lost it some contracts although Mr Moody-Stuart said an ethically ambitious approach was "the right way and the most rewarding way to behave" for any company in the 21st century.

The report's most ambitious aim is to install an externally-verifiable system for measuring the whole group's performance on "green" and social issues.

Australian dockworkers win in court

By Gwen Robinson in Sydney

Australian dockworkers scored an important success yesterday when a court ordered Patrick Stevedores, the country's second largest port operator, to reinstate 1,400 dockers it dismissed two weeks ago.

The company later won a 24-hour suspension of the Federal Court ruling, which stated that Patrick might have engaged in an unlawful conspiracy when it sacked the dockers and replaced them with non-union labour.

But the initial judgment was seen as a moral victory for the Maritime Union of Australia (MUA) and a serious political blow for the conservative coalition of John Howard, the prime minister, who has supported Patrick's attempts at reforming labour practices on Australia's waterfront.

Trading of shares in Lang Corporation, Patrick's parent, were suspended on the Australian Stock Exchange after they slid on the news to A$1.90, 10 cents below the opening price.

Most damaging for the government was the court's suggestion of support for the union's claims of an unlawful conspiracy between Patrick, the government and the National Farmers' Federation, the main farmers'lobby and a long-time union foe.

"There is an arguable case that the Patrick owners and Patrick employers have engaged in an unlawful conspiracy," Tony North, federal court judge, said in his ruling.

Union members in the court applauded loudly on hearing the initial ruling and chanted "MUA – Here to Stay!", the union's rallying cry, as they left the building.

But Chris Corrigan, Patrick's chairman, said the order seemed "unworkable" as some port managers "feared for their lives" and were unwilling to work with union members who had threatened violence.

Speculation about the extent of the government's involvement in the dispute grew last December, when it emerged that Australian workers, including some serving military personnel, were undergoing training in the United Arab Emirates as non-union stevedores.

The dispute intensified earlier this year when the farmers' federation set up a company to lease part of Patrick's dock facilities in Melbourne for a non-unionised stevedoring operation.

The MUA last month set up picket lines at the Melbourne facilities and launched industrial action which has since spread to the company's facilities around Australia and has left more than 11,000 containers sitting on the docks.

International shippers, fearing domestic and international industrial action, have switched much of their business to Patrick's rival, P&O. Exporters, including meat, cotton and wool producers, have warned that delayed shipments will cut into earnings. Toyota Australia last week shut down its plant for several days in response to the dock dispute.

But Australia's top business body said yesterday that leading companies were prepared to suffer some costs to achieve "true reform" on Australia's waterfront. "My judgment is that the chief executives of major companies in Australia are prepared to wear a fair bit of pain this time around," said Stan Wallis, chairman of the Business Council of Australia.

In a rare vote against the union movement, public opinion polls have supported the principle of waterfront reform. However, concrete evidence of government involvement in a union-busting conspiracy could reverse that support.

Much-feared ghosts of deflation return to haunt Japanese

Paul Abrahams reports on the possibility of a downward spiral in Japan's economy

Suggestions this week that the Japanese economy might be entering a deflationary cycle have been forcefully denied by the Bank of Japan – not least because deflation is such a scary term: it is only reluctantly used by economists because of its indelible association with the Great Depression of the 1930s.

Deflation occurs when consumers do not spend because they know goods will be cheaper in the near future. This can have a devastating effect on corporate profits because companies end up with inventories whose value is rapidly falling.

The danger is that a deflationary cycle emerges: groups begin holding back on capital investment, reducing production and cutting wages, overtime and bonuses, which in turn causes employees to spend less.

In spite of the Japanese authorities' insistence to the contrary, evidence of deflation is strong. In the first 10 days of April – the first period in which the sales tax rise of April 1997 did not affect the data – wholesale prices fell year-on-year by 2.1 per cent.

The deflationary pressures in Japan are considerable. Most important, consumer demand is weak. Real employee income has fallen more than 1 per cent year-on-year since early 1997, according to Goldman Sachs. The US investment bank blames this on a combination of the 2 percentage point sales tax increase, the abolition of special income tax cuts last summer and increases in social security premiums.

In theory, the sales tax increase should now have worked its way out of the system. But unemployment is at a post-war high of 3.7 per cent and wages, bonuses and overtime are under pressure, discouraging consumers from spending.

Overtime in manufacturing, for example, fell 5.8 per cent year-on-year in February. With income growth stuttering and the economic outlook uncertain, the danger is that most of the tax cuts being proposed by the government are likely to be saved.

Further deflationary pressure has been created by the east Asian economic crisis. This has had the dual effect of hitting Japanese exports and threatening to increase volumes of cheap imports, boosted by the collapse of other Asian currencies. In addition, prices of oil and other commodities remain low: import prices fell more than 7 per cent year-on-year in March.

Deregulation is also forcing prices down in some sectors, such as telecommunications. The price of a peak-rate call from Tokyo to Osaka using NTT, the market leader, has fallen from Y140 ($1.06) for three minutes in January last year to just Y90 (68 cents). Some competitors are offering rates as low as Y48.

The impact of weak demand and falling prices on basic industrial companies has been particularly tough. Their profits have been squeezed by falling capacity utilisation, which has increased unit costs, high inventories whose values are falling, and falling prices. Since January last year, the chemical, textile and steel sectors have fallen on the stock market by 24 per cent, 27 per cent and 49 per cent respectively.

Nevertheless, the dangers of a real deflationary spiral are more apparent than real, at least for the moment. For one thing, not all sectors of the economy have been similarly hit. "Are we looking at an across the board, economy-wide, collapse in prices? The answer is No," insists Ron Bevacqua, economist at Merrill Lynch in Japan. "True, those basic industrial sectors exposed to outside competition are suffering, but in other parts of the economy, prices are holding up," he says.

Nor is there evidence that consumers are delaying purchases, insists ING Barings, the most consistently optimistic foreign brokerage in Tokyo. Richard Jerram, an ING Barings economist, admits that year-on-year retail spending figures look horrible – Tokyo department store sales plunged year-on-year by more than 20 per cent in March.

But annualised comparisons were distorted by last spring's rush to spend before the sales tax rise, he says. The figures are likely to rebound this month and stabilise over the summer, he believes.

Koji Omi, Economic Planning Agency minister, yesterday pointed out that on a seasonally adjusted basis, March sales at department stores in Tokyo and Osaka were up 4.7 per cent and 8.1 per cent respectively compared with the previous month.

Moreover, although take-home pay is under pressure, falling prices have the benefit of increasing spending power, says Mr Jerram. This, together with the Bank of Japan's loose monetary policy and the latest stimulus package, should keep prices reasonably stable, he maintains.

However, if the economy does stumble into a deflationary spiral the damage could be considerable. The only benefit might be that it would put further pressure on the Japanese authorities to take more meaningful measures to stabilise the economy.

"The decision to expand fiscal policy is the only bright spot on the horizon," says Brian Rose, economist at SBC Warburg in Tokyo. "But at best this latest stimulus package will only stabilise the economy, it will not help Japan address its long-term structural problems. Japan needs urgently to restructure, and at the moment there is no sign of that happening."

JAPANESE ECONOMY NEWSPAPER COMPARES COUNTRY WITH THE TITANIC AND QUESTIONS PRIME MINISTER'S FITNESS TO BE CAPTAIN

Business leaders assail Hashimoto leadership

By Michiyo Nakamoto in Tokyo

Ryutaro Hashimoto, Japan's prime minister, came under renewed attack yesterday from business leaders and newspapers for his management of the economy.

"Prime Minister Hashimoto should step down. The market is signalling a vote of no confidence in him," said Seiji Tsutsumi, deputy chairman of the Japan Association of Corporate Executives.

Mr Tsutsumi, who heads the Saison group of companies, is the first business leader to call publicly for Mr Hashimoto's resignation. His remarks follow strong criticism from Norio Ohga, chairman of Sony, who compared the prime minister with Herbert Hoover, the US president at the onset of the Great Depression.

In an unusually blunt front-page article, the Yomiuri Shimbun, Japan's most widely read national daily, compared the country with the Titanic and indicated it did not have confidence in Mr Hashimoto's ability to save it from sinking.

"Is the Japanese economy destined to share the fate of the Titanic?" the Yomiuri asked. The influential daily, normally a champion of the *status quo* and previously a supporter of Mr Hashimoto, warned that "unless some effective measures are taken, Japan...could even trigger worldwide economic chaos".

The newspaper questioned whether Mr Hashimoto had the leadership qualities to overcome the crisis. So far Mr Hashimoto had been "virtually disappearing in times of crisis", it said. "The country does not need a wishy washy prime minister."

The public attacks are a severe blow to a prime minister who does not have a wide power base within his Liberal Democratic party.

"You have an election coming up in July in which more than 30 per cent [of the seats] will be a popularity race between the parties. The LDP wants to have the right man at the helm," notes John Neuffer, political analyst at Mitsui Marine Research Institute.

The prime minister also faces a widening rift with two members of his coalition. The row stems from the refusal of the Social Democratic party and the New Party Sakigake to support an LDP-drafted ethics bill which bans legislators from receiving money as favours for influence-peddling.

So far, the LDP's power brokers are standing behind Mr Hashimoto. But with Japanese corporations preparing to unveil forecast poor financial results next month, his position is likely to get worse before it gets better.

UN may publish Indonesia forest fire blacklist

By Frances Williams in Geneva

The United Nations' top environment official yesterday threatened to publish a blacklist of logging companies shown to be responsible for sparking forest fires in Indonesia and elsewhere in south-east Asia.

Klaus Töpfer, executive director of the UN Environment Programme, said publication of a company blacklist could form part of an international action plan now being drawn up to tackle the problem of forest fires in the region.

While there needed to be incentives for companies to engage in sustainable forestry, there should also be penalties for "misbehaviour", including bad publicity that could lead to loss of business for those companies, the former German environment minister said.

He was speaking after chairing a meeting in Geneva of fire-fighting experts, international agencies and donor countries on how to tackle the forest fires still raging out of control in Indonesia's East Kalimantan Province. These threaten a repeat of last year's choking smog over much of the region.

Earlier, Mr Töpfer said no time should be lost in mobilising international efforts to deal with "what may turn out to be one of the greatest ecological disasters of the millennium".

The meeting approved a $10m package of immediate measures, after hearing from members of a UN fact-finding team which went to the region earlier this month. Indonesia, in the throes of an acute economic crisis, has asked for international help in combating the fires, including identification of rogue companies.

Mr Töpfer said it was judged impossible to fight all the existing fires. Instead, the short-term package envisaged measures to extinguish those fires that posed the greatest dangers to human health and the environment, stop fires spreading to new areas, and improve Indonesia's fire-fighting capability.

The fact-finding team said over 200,000 hectares of land in East Kalimantan had been razed this year and that the situation was out of effective control.

The meeting discussed longer-term plans for tackling forest fires in the region, aimed at addressing the causes and creating an international network to co-ordinate future help.

Measures under consideration include greater incentives for sustainable forestry and more effective law enforcement.

JAKARTA REFORMS PLEDGE IGNORED AS LIQUIDITY SUPPORT FOR BANKS IS INCREASED

Rates raised to bolster rupiah

By Sander Thoenes in Jakarta

Indonesia raised interest rates yesterday to support the rupiah and claimed it was meeting monetary targets agreed with the International Monetary Fund.

The government will announce further structural and banking reforms today, eager to meet the first of several IMF deadlines before the Fund decides whether to release further tranches of standby credits and open the way for billions more in bilateral aid.

Bank Indonesia, the central bank, raised rates on its certificates by 3 to 5 percentage points to curb a slight weakening of the rupiah last week and boost its efforts to meet targets for money growth and reserves.

Traders had pushed up the rupiah ahead of the announcements but sold some when the rise disappointed, leaving the rupiah only marginally stronger, at around Rp9,700 to the dollar. Bank director Miranda Gultom said a larger rise would have crippled many troubled commercial banks.

Ms Gultom said Indonesia was well within the agreed targets for Net International Reserve and Net Domestic Assets, set for the end of this month, and was only Rp300bn above the agreed target for reserve money.

Much more serious was a sharp rise in liquidity support for troubled commercial banks from Rp87,000bn to Rp103,000bn, despite a pledge not to increase the level of support. Ms Gultom said a rush on the banks in early April, sparked by the closure of seven banks, was to blame but said much of the added liquidity was mopped up by issuing bank certificates. In January the bank printed more than Rp10,000bn to cover support for banks.

The bank issued its most detailed progress report to date, revealing that $10.8bn of its $17bn gross foreign assets were liquid and forward swaps minimal. Bankers had feared that Bank Indonesia commanded only $7bn in liquid reserves and had large swap obligations.

Meanwhile, producers of clove cigarettes and farmers say the government has reneged on a symbolically important pledge to dismantle a trade monopoly on cloves, controlled by President Suharto's son, Hutomo "Tommy" Mandala Putra. Mr Suharto this month promised to dismantle the BPPC monopoly immediately and liquidate the company by June, as part of a wider pledge to curb a network of privileges for his children and friends.

Ismanoe Soemiran, chairman of an association of cigarette producers, said the finance ministry requires cigarette producers to show contracts with BPPC even though it officially lost its monopoly as part of the reform package agreed with the IMF. Some producers say a large shareholder of BPPC, Kembang Cengkeh Nasional, is due quietly to take over the monopoly in June.

The finance ministry and BPPC declined to comment.

Accord reached on New Caledonia

By David Owen in Paris

France has reached an accord on its overseas territory of New Caledonia that may settle the South Pacific island's political future for the next 15-20 years.

The agreement, initialled yesterday in Noumea, the New Caledonian capital, by the French government, as well as separatist and loyalist representatives, removes the threat of a potentially destabilising referendum on self-determination in the territory later this year.

Instead, such a vote would take place in 15-20 years' time. A poll on political organisation on the island, one of the last remnants of France's colonial empire, will be arranged before the end of this year.

Lionel Jospin, French prime minister, is to visit the island to sign the agreement on May 4 and 5. Mr Jospin's office said yesterday that "a new step of peace and development" was opening for New Caledonia.

Jean-Jack Queyranne, overseas minister, said negotiators had reached "a balanced agreement for a shared destiny".

Yesterday's announcement, which followed two months of talks on greater self-determination for the island's 170,000 people, had an immediate effect on shares of Eramet, the state-controlled French mining group. The shares closed up FFr19.70, or 7.4 per cent, at FFr284.50, on expectations the stability heralded by the pact would be beneficial for the company.

Two months ago, the company agreed a deal concerning nickel concessions on the island that could see hundreds of millions of francs in compensation paid to it by the end of this summer.

It agreed to exchange its Koniambo nickel concession on the island for the smaller Poum deposit held by Société Minière du Sud Pacifique (SMSP).

Mr Yves Rambaud, Eramet chairman, said at the time that the amount of compensation could be of the order of FFr1bn ($166.6m).

France's previous centre-right government planned to strip Eramet of the Koniambo concession, but these plans were resisted by Mr Rambaud. This agreement paved the way for the accord announced yesterday.

Under agreements signed in 1988, a referendum on self-determination was to have been held this year on the island, unless a deal between the French government and local political parties was reached.

The local Kanak independence movement, which is close to SMSP, made reaching a deal on Koniambo a prerequisite to beginning political talks.

Observer, Page 15

NEWS DIGEST

LIBERALISATION OF BANKING

China to set up deposit guarantee system

Dai Xianglong, governor of China's central bank, said yesterday a decision had been taken to create a deposit guarantee system. Mr Dai said the initiative would start with guarantees for deposits in some "important banks", but did not specify which ones. He gave no timescale for the plan.

Banking analysts said the initiative was consistent with China's liberalisation of its banking sector and would help to forestall runs on banks and may boost savings.

Mr Dai also said the number of smaller banks in rural areas was likely to increase from about 100 to 200 by an unspecified date. The move appeared to be aimed at ensuring that rural areas remain well served with banks as some of the bigger state banks, such as the Bank of China, concentrate on the more lucrative urban business. **James Kynge, Beijing**

CHINA RIVALRY

Taiwan to seek OECD role

Taiwan plans to apply soon for observer status at the Organisation for Economic Co-operation and Development, a move likely to prompt an outcry from China. "As the world's 14th biggest trading nation, we feel we can make positive contributions to the formulation of policies in trade and other areas and will submit a formal application soon," Lin Yi-fu, Taiwan's vice minister of economic affairs, said yesterday.

Taiwan faces more obstacles in joining the OECD than in its bid to enter the World Trade Organisation, now under way. The WTO will let Taiwan in as a "separate independent customs territory" under the name "Taiwan, Penghu, Kinmen and Matsu" – islands under Taipei's control. But the OECD has no such designation. Beijing regards Taiwan as a renegade province and has pressured all but a handful of tiny countries to end diplomatic recognition. **Laura Tyson, Taipei**

HONG KONG BANKING

BIS plans first overseas office

The Bank for International Settlements, the central bankers' bank, is to open its first overseas office, in Hong Kong, to reflect the growing financial might of the Asia-Pacific region.

Joseph Yam, chief executive of the Hong Kong Monetary Authority, the territory's quasi central bank – in whose offices the BIS will initially be based – called the move a milestone in relations between Hong Kong and the BIS.

BIS said the move was unrelated to the recent Asian financial crisis, which was largely precipitated by flows of "hot money" and weak banking practices. It said Hong Kong was chosen for its location, which it regards as central for Asia, and its "excellent facilities". **Louise Lucas, Hong Kong**

PHILIPPINES TRADE

Export growth narrows deficit

The Philippines' trade deficit narrowed to $1.1bn in the first two months of this year, a 45 per cent contraction year-on-year as exports continued their buoyant growth and imports slumped, according to government figures. Imports fell 0.8 per cent to $5.42bn. Exports surged 24 per cent to $4.34bn, maintaining a performance far better than elsewhere in the region. Imports in February fell 1.6 per cent, the second consecutive month of negative growth and the lowest rates since 1992, reflecting a slowdown in domestic demand in the wake of the regional currency crisis. **Justin Marozzi, Manila**

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US leads in competitiveness rankings

By Frances Williams in Geneva

The US remains easily the world's most competitive economy and only a big stock market crash could dislodge it from its pre-eminent position, according to the latest annual World Competitiveness Yearbook.

The yearbook, compiled by the Swiss-based International Institute for Management Development (IMD), continues to rank Singapore and Hong Kong second and third respectively, despite the Asian economic crisis.

Ireland, Europe's "tiger" with 8.3 per cent growth last year, has jumped from 22nd place in 1996 to 15th last year and 11th this year.

However, Japan, second in the competitiveness league table five years ago, has plunged to 18th place from 9th last year and other south-east Asian tiger economies have lost ground. By contrast, Taiwan (16th) and to a lesser extent China (24th) have moved up the rankings. Russia trails at the bottom below Poland and Colombia.

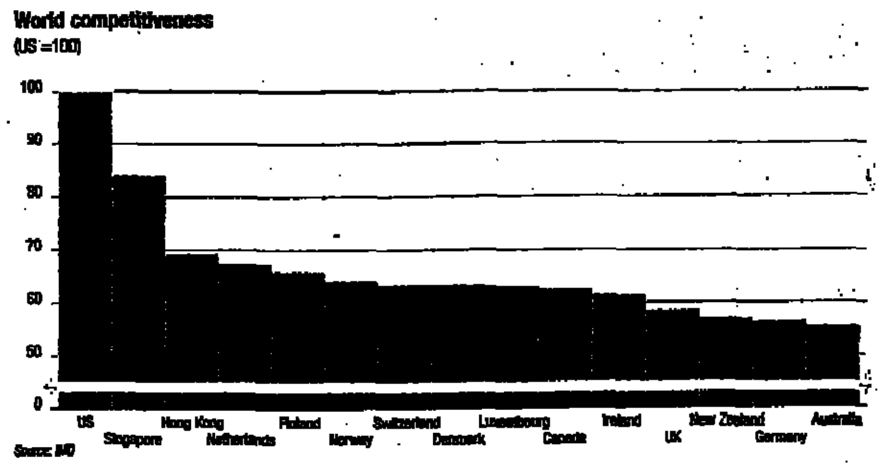
The league table ranks 46 countries on 259 criteria designed to measure factors providing a good business environment. These include economic performance, infrastructure, the role of government, management, the financial system, technological competence and so on.

Two-thirds of the criteria are based on statistical data, with one-third coming from an opinion survey of more than 4,000 business executives worldwide.

Prof Stéphane Garelli, director of the IMD's competitiveness project, says seven years of continuous economic expansion have "strongly installed" the US as the most competitive nation in the world.

"Privatisation, deregulation, flexibility in the labour market and, especially, massive investment in new technology have worked. Only a major crash in the stock market or, in the long term, complacency, could threaten a situation that is historically exceptional."

Available on http://www.imd.ch/wcy.html. Printed report available June from IMD, chemin de Bellerive 23, PO Box 915, CH-1001 Lausanne, fax +41 21 618 0204, email wcyinfo@imd.ch.



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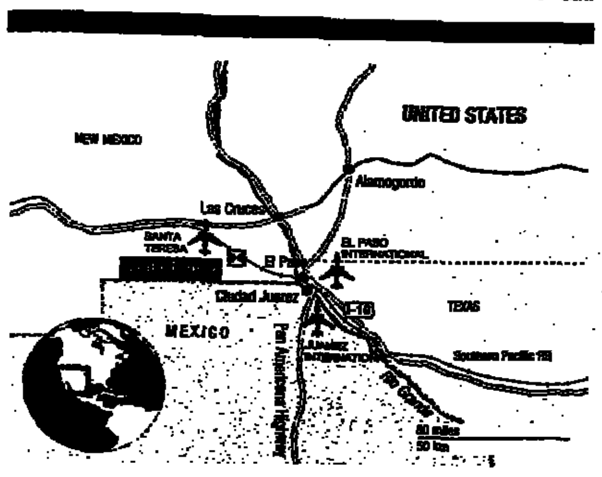

Saint Pete performs an act of faith on the Mexican border

Senator hopes $9m 'port of entry' will help industry cash in on booming cross-border trade. **Christopher Parkes** reports

Peter Domenici stood in the wilderness – high desert stretching featureless all around – and read from the Kevin Costner book of wisdom. "Build it and they will come," proclaimed the senator from New Mexico.

With a quote from the film *Field of Dreams*, the man New Mexicans call Saint Pete last week opened the latest "port of entry" linking Mexico and the US and inaugurated what some hope will be a new economic era in this dusty corner of the state.

There is no road link to the great coast-to-coast Interstate 10. But that will come, he promises. A second track is already being built along the nearby rail link to Long Beach, California, and a handful of hopeful companies has already set up shop, in warehouses and manufacturing plants, just below the horizon in an industrial park on the US side of the border.

Less certain are the prospects for a serviceable road to link the shiny new customs house with Juarez, the *maquiladora* town (export assembly zone) 15 miles away south of the border and already desperate for government funds for facilities to keep pace with its seemingly unstoppable growth.

"It is my hope that as the traffic and trade numbers grow, we will continue to expand and improve the surrounding infrastructure," said St Pete at a ceremony marking the end of a 20-year campaign for state and federal funds and permission to build the $9m Santa Teresa border station.

Prospects for the development of a successful cross-border manufacturing and transit zone are further complicated by the fact that Santa Teresa, although in New Mexico, is little more than a rich suburb of El Paso, Texas.

Lacking basics such as petrol stations, it is home to engineers and executives who daily ply their trade between El Paso and Juarez, a messy nexus which daily handles 20 per cent of all goods traffic between the two nations.

The hopes of Senator Domenici and the ambitions of the privately owned Santa Teresa Development Corporation, which is building the nearby industrial park, are based mainly in a complex of claimed advantages over the congestion, high costs and political problems plaguing the El Paso-Juarez link.

The three bridges crossing the Rio Grande from El Paso form natural bottlenecks in which even unchecked trucks can linger for up to four hours. Poor relations, attested to by Mexican business people, hamper political communications.

But New Mexico also offers a lower tax base and subsidised investment capital. "It is cheaper to do business here," says Ed Thrush, manager of Klingler International Technologies, a diversified contract manufacturer newly housed in the Santa Teresa Industrial Park.

Mr Thrush, who says his only reservation concerns a roadrunner which has chosen the bonnet of his car as a perch, moved in last year from near El Paso airport.

Thanks to the nearby border crossing, which has been open to traffic since late last year, a single driver can make three two-way trips a day. Saving him an estimated 20 per cent on shipping costs. "In El Paso we were lucky to get one truck a day out."

Jim Robinson, general manager of Vista Corrugated, a paper packaging maker, also picked Santa Teresa to avoid the jams in El Paso. The border region, he says is one of the last great expansion markets left in the US for a company such as Vista: and it extends deep into both the US and Mexican hinterland.

With the luxuries of space, and labour available from a pool of sturdy, loyal farmworkers only too pleased to work in air-conditioned plants, the attitudes of the north-of-the border newcomers contrast sharply with those in Juarez.

There, 30 years of rapid economic development following the establishment of the *maquila* system, is stretching resources to the limit.

The age-old western conflict over water is nowhere more telling. Texan ranchers and cities, claiming sovereignty over the Rio Grande – here reduced to a shallow stream even at the end of winter – permit Mexico to draw less than 5 per cent of its supply.

'If a mirror fogs up when we hold it to their mouth, they have a job'

Labour, too, is a problem, with 1.7 per cent real unemployment, according to Luis Carlos Ramos of the state development agency. "If a mirror fogs up when we hold it to their mouth, they have a job," he says.

More than 40 new *maquiladora* projects have been set up in the city in each of the past three years, and, with production and population rising 5 per cent a year, they account for 75 per cent of all economic growth in the state.

There is obvious resentment that the price of the city's success is neglect by the government in Mexico City, which is more concerned with funding infrastructure and development in poorer regions.

The private sector has been obliged to take a hand, and companies pay a payroll tax of $15 for every worker to subsidise the city. Labour costs are under further pressure as welfare and other benefits add as much as 70 per cent to basic pay rates.

While companies may come to the new port north of the border, New Mexico's chances of building a new industrial enclave seem to depend less on Senator Domenici's field of dreams than on Juarez's ability to cope with the nightmares of unmanaged growth.

EU holds its fire in Cuba law dispute

By Neil Buckley in Brussels

The European Union is allowing its World Trade Organisation panel against the US Helms-Burton anti-Cuba law to lapse after a year-long suspension, but warned it would immediately activate a new panel if Washington took action under the law against any European company.

The panel, requested after the US introduced the Helms-Burton legislation which could penalise companies "trafficking" in former US assets confiscated by the Castro regime, was suspended last April as part of an EU-US understanding aimed at defusing an escalating trade row.

Under WTO rules, disputes panels can be suspended for only 12 months, after which they lapse, or must be reactivated. The deadline for reactivating the EU's case passed at midnight last night

European Commission officials said they had a choice of allowing the panel to lapse, or reactivating it – in effect, restarting the full WTO disputes procedure over Helms-Burton. Such a move could have been seen as escalating EU action when negotiations are still under way to find a long-term solution to the dispute.

But officials warned they would immediately renew their WTO complaint if any European companies were penalised under the Helms-Burton law, or the Iran-Libya Sanctions Act, which calls for sanctions against companies investing in the oil sector of Iran or Libya.

"We still have the [WTO] panel option in our back pocket," said a spokesman for Sir Leon Brittan, EU trade commissioner. "If action is taken against European companies we will use it immediately."

The Commission added that the level of pressure on Washington remained unchanged, and allowing the WTO panel to lapse was a "technical development, not a political development".

It was also consistent with the wording of the US-EU understanding last April, which said the EU reserved its right to resume the panel "or begin new proceedings" if action was taken against European companies. The US then pledged to continue to waive elements of the law to which Brussels objected.

However, the move makes the threat of EU retaliation less immediate, since a new WTO complaint would require several months of consultations before a disputes panel was set up.

US officials welcomed the move, but warned that a negotiated solution to the EU-US dispute over extra-territorial legislation remained some way off.

Both sides agreed to a "period of reflection" after a deadline for agreement passed last October. Regular talks have since resumed between the two sides, most recently in Paris last week.

EU diplomats suggested they were encouraged by signs of greater flexibility from the US, and efforts would be intensified to reach agreement before the next EU-US summit on May 18. Any agreement is expected to be based around "common disciplines" dealing with how expropriated property should be treated, and "common principles" on secondary boycotts, or extra-territorial action against businesses.

Brussels officials also point to the length of time being taken to assess whether an investment by France's Total in Iran is sanctionable under the Iran-Libya laws as a sign that the US is keen to avoid a clash over the issue. No decision is expected before late May.

PC SOFTWARE COURT HEARS WINDOWS INTERNET BROWSER CASE

Microsoft fights back

By Richard Wolffe in Washington

Microsoft said yesterday that no computer makers had chosen to leave out its internet browser software since a court last year ordered it to stop forcing manufacturers to include it with Windows 95.

Launching its legal fightback against the US government, the software company said the amended version of its operating system – separating the browser – had been overwhelmingly unpopular.

The US Justice Department had argued that Microsoft was breaching a 1995 antitrust settlement, by using its monopoly in operating systems to prevent competition in internet software, particularly from Netscape Communications.

Microsoft agreed to separate its browser from Windows by offering computer makers the choice of a version which left the browser's icon hidden from view.

The appeal seems likely to have little practical impact on sales as the company is about to launch the latest version of its operating system, Windows 98, in June.

Instead, both the company and the Justice Department view the appeal as a preliminary skirmish in a wider battle over Microsoft's future. The Justice Department is considering a wide-ranging antitrust action against the company, possibly before the launch of Windows 98.

Douglas Melamed, for the Justice Department, argued that the government wanted to give more freedom to computer makers and users to choose their own browsing software."

After an hour of largely technical and complex legal argument, the judges adjourned the appeals hearing. Their decision is not expected for several weeks.

Microsoft is also appealing against an earlier court decision to appoint Lawrence Lessig, a Harvard law professor, as a "special master" to advise on legal and technical issues. The company says the court had delegated too much power to Mr Lessig.

● Paul Taylor in London adds: Jim Barksdale, chief executive of Netscape Communications, said in London yesterday: "What I would like to see the Justice Department do is to cause Microsoft to stop exclusionary contracts and predatory pricing in tie-in sales.

"That is easier said than done in the software industry. but what I don't want them to do is to stifle innovation at Microsoft or anywhere else.

Bill Gates, Microsoft chairman, in Chicago this week AP

US resolution on Cuba rights spurned by UN

By Pascal Fletcher in Havana

The United Nations Human Rights Commission yesterday rejected for the first time in seven years a US resolution condemning Cuba for human rights violations and persecution of political dissidents.

The US resolution. which criticised "numerous violations of human rights and fundamental freedoms" on the communist-ruled Caribbean island, was defeated by 19 votes to 16 in the 53-member commission in Geneva. Eighteen member nations abstained, including most Latin American countries.

Cuba's opposition to the resolution was supported by Russia, China, India and South Africa and other developing countries in Africa and Asia, such as Sudan and Indonesia. Canada, Japan, and European countries backed the defeated US censure motion, as did a lone Latin American state, Argentina.

Cuban officials were jubilant. "It's a defeat [for the US] that serves the whole world, because it shows that if we unite in the face of the powerful, we can claim our own truth, our own justice," the Cuban foreign minister, Roberto Robaina, said.

While it represented a diplomatic triumph for Havana, the vote was unlikely to blunt US criticism over human rights on the island, or to change the position of western governments towards political conditions in Cuba.

Canada and the European Union, among the island's *leading trade and invest*ment partners, have been gently pressing the Cuban government to introduce democratic reforms.

In a report to the Commission in March, its investigator for Cuba, Mr Carl-Johan Groth, who has never been allowed to visit the island, said the one-party Cuban government maintained "a pattern of repression" against political opponents.

But he said Washington's long-standing economic embargo against Cuba was partly to blame.

Murdoch separates from second wife after 30 years

By Cathy Newman in London

Rupert Murdoch has separated from his wife, leaving question marks over how soon he will be succeeded at the helm of News Corp, his global media empire.

News Corp yesterday confirmed a report in one of the company's own US tabloids, the New York Post, that Mr Murdoch had split from his second wife Anna, after more than 30 years' marriage.

She is believed to have initiated the separation over concerns he was working too hard, prompting speculation he might bow out as chairman of News Corp sooner than expected.

At the end of last year, Mr Murdoch announced that his son, Lachlan, 26, chairman and chief executive officer of News Limited, News Corp's Australian arm, would succeed him. He has always insisted he has no immediate intention of handing over, but some analysts believe the separation may prompt him to rethink.

Mr Murdoch, who is 67, is said to have worried his 53-year-old wife by refusing to slow down. However, one person familiar with News Corp said the pair were expected to get back together.

Howard Rubenstein, Mr Murdoch's personal spokesman, said: "There is no impact on the Corporation, and Mrs Murdoch continues as a member of the board".

Mrs Murdoch's shareholding would be unchanged, he added. The Murdoch family owns about 31 per cent of News Corp's shares.

Mathew Horsman, author of *Sky High*, published last year, in which Mr Murdoch unveiled his plans, said: "The big question it raises again is the whole succession issue. This may hasten the time [when] he bows out." If Mr Murdoch were to step down, it is uncertain if News Corp would continue in its present form.

Other analysts have suggested that if Mr Murdoch were to step down, some of News Corp's assets could be sold.

NEWS DIGEST

IMF UNDER SCRUTINY

US officials defend rescue of ailing Asian economies

US officials yesterday defended the rescue of ailing Asian economies by the International Monetary Fund which they said in the end would benefit Americans the most.

"The only reason we're here and we support the IMF is that we're concerned about American workers, American farmers and American companies," said Timothy Geithner, Treasury assistant secretary for foreign affairs. "It is our view that the risk is greater if we left these countries just sinking in a protracted downturn."

The administration request for $17.9bn for new funds for the IMF has been approved by the Senate but has come under intense attack in the House. Opponents yesterday hoped to demonstrate the failure of the administration, and previous administrations, to abide by Congressional mandates to use the US "voice and vote" for more transparency at the IMF, reduced military spending by borrowing countries and greater support for human rights and social programmes.

The session, in a packed committee room, was marked by the first appearance before Congress of a US representative at the IMF. Karin Lissakers, US executive director, said that while the US could play "an important leadership role" in the multilateral lending institution, it could not impose US policy on the institution. **Nancy Dunne, Washington**

CANADIAN ECONOMY

Inflation falls for third month

Canada's inflation rate fell for the third consecutive month in March, dropping to less than 1 per cent annually. The 0.9 per cent annual price increase, which is below the Bank of Canada's 1-3 per cent inflation target, should ease pressure for interest rate increases, although the weak Canadian dollar continues to raise concerns. Yesterday's news was followed by a dip in the Canadian dollar to 69.93 US cents at midday.

The declining inflation rate was due primarily to lower prices for gasoline, computers, meat and mortgage interest charges, Statistics Canada reported. The seasonal monthly increase in air fares was also less than in 1997. These were partially offset by higher vegetable prices and increased charges for cable television and natural gas.

Of the 10 provinces, Quebec had the highest price increases in the year ending March 1998 of 1.4 per cent, mainly due to increases in the general sales tax and the cigarette tax. Newfoundland had the biggest price decline of 0.4 per cent. **Edward Alden, Toronto**

TAX DISPUTE

Internal Revenue wins case

The Internal Revenue Service won a billion-dollar victory yesterday as the Supreme Court resolved a dispute over the federal taxes owed by the nation's property and casualty insurance companies for 1987.

The court upheld the tax agency's method of calculating the insurance companies' tax liability for that key year. Federal appeals courts had split on the issue. Government lawyers had told the justices that their decision would carry "consequences for taxable income in excess of $1bn".

In the Tax Reform Act of 1986, Congress changed the way property and casualty insurance companies calculate their federal tax liability. At issue in the dispute was the interpretation of a one-off "forgiveness" the law provides because of changes in deductions.

Atlantic Mutual Insurance paid its 1987 taxes based on one interpretation of the disputed statutory language. The IRS, with a differing interpretation, said the insurance company actually had another $1.3m in income for the year and ordered it to pay an additional $519,987 in taxes.

Atlantic Mutual contested that order in the US Tax Court and won. But the Third US Circuit Court of Appeals reversed the tax court and ruled that the IRS's interpretations of the law's ambiguous language had to be given considerable deference. **AP, Washington**

WHITEWATER INVESTIGATION

Request to halt trial denied

A Supreme Court justice yesterday refused to block Whitewater witness David Hale's trial in Arkansas state court on charges of lying to insurance regulators.

Justice Clarence Thomas denied Mr Hale's emergency request to halt the trial. Mr Hale contended a plea agreement and immunity granted to him by federal Whitewater investigators should protect him against prosecution in the state case.

Mr Hale is scheduled to go on trial today in Arkansas state court on charges of filing a false or misleading statement with the state insurance department about an insurance company the state says he owned. A federal appeals court last week *refused to halt his trial. Mr Hale's testimony in 1996 helped* convict President Bill Clinton's former business partners, Jim and Susan McDougal, as well as Jim Guy Tucker, who was then governor of Arkansas. **AP, Washington**

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FOREIGN OFFICE IMPROVEMENTS SEEN IN CHINA AND INDONESIA WHILE FAILURE IS CONCEDED IN NIGERIA

Success is claimed over human rights

By David Buchan, Diplomatic Editor

The UK government yesterday claimed to have improved human rights in China and Indonesia through dialogue, but conceded that efforts to win any such change in Nigeria had in effect failed.

Promotion of human rights through "practical partnerships" wherever possible was the theme of Britain's first human rights report presented by Robin Cook, the foreign secretary, and Clare Short, the overseas development secretary.

Mr Cook said the 56-page report was "not designed to mimic the [US] State Department's annual report on human rights country-by-country" around the world, but rather to focus on countries such as Indonesia and China, where Britain and the European Union had been most active.

Even regarding such countries, the report is longer on human rights work in progress than on concrete results. But Mr Cook hailed the agreement by Indonesia and China for EU ambassadors to visit East Timor and Tibet. This was Britain's initiative as president of the EU.

Mr Cook acknowledged the limits of the co-operative approach in Nigeria, Iraq and Burma where no partnerships had been possible. He criticised Nigeria's General Sami Abacha for getting himself designated as the only candidate in the presidential poll to be held later this year.

"An election with one candidate is not free or fair," said Mr Cook, who cited his pressure for Commonwealth sanctions on Nigeria as part of Britain's new ethical foreign policy under Labour.

Mr Cook said there were times "when it may be right to condemn publicly, loudly and firmly". Generally, however, the government had found "a third way" between "a row or kowtow" by engaging countries in a dialogue about human rights.

This middle course had enabled Britain to give its foreign policy a more ethical profile while avoiding the sort of confrontation that only a superpower such as the US could afford.

Mr Cook claimed that the past 11 months had disproved early criticism that greater emphasis on human rights would cost Britain commercial contracts or harm its foreign policy.

Amnesty International welcomed the report, but said it would publish its own audit of the government's record.

Another lobby group, Saferworld, has complained about more than 100 new arms export licences for Turkey and Indonesia, countries with poor rights records.

But ministers insisted that, since last year's change of government, Britain had swung behind an international ban on landmines and the proposal for a permanent war crimes tribunal. It had also taken a tougher line on war criminals in Bosnia.

The report acknowledges that hosting last year's Commonwealth summit and presiding over the EU and Group of Seven most developed countries this year have given the government exceptional international leverage to promote its human rights agenda in 1997-98.

Multinationals making 'explicit commitment'

By David Buchan in London

Although a growing number of British retailers apply ethical standards of production to the goods they import, only three major multinationals - Shell, British Petroleum and Rio Tinto - have "explicitly committed themselves to human rights in their codes of conduct", according to the chairman of Amnesty International UK's business group.

Sir Geoffrey Chandler, speaking at a conference on multinationals and human rights organised by the Royal Institute of International Affairs, said the three companies' commitments to human rights resulted from "external pressures rather than corporate initiative".

Senior executives of these three companies did not contest this, but insisted that human rights considerations were now "part of business life", particularly for oil and mining companies. Those, for reasons of geology, often had to seek resources in political trouble spots.

BP and Rio Tinto said the leverage of multinationals to improve the rights of peoples among whom they worked was exaggerated because natural resource companies had to work through leases and licences granted by host governments.

Shaun Stewart, government affairs manager for the Rio Tinto mining group, also said it was not easy to walk away from major investments with a lifecycle of 30-40 years "if a country becomes a human rights pariah".

But as Richard Newton, director of BP Europe, noted: "If people *think* you have power, then – to some degree at least – you do."

Having burnt its fingers in Nigeria, where objections from the Ogoni people forced it to withdraw from a project, Shell explained that it was taking extra care in the Camisea gas field in Peru to reach agreements with local Indians on land rights, compensation, water, schooling and health.

"These agreements", said a Shell executive with an eye on UK lobby groups rather than the Indians, "can be viewed on our website".

But it is BP that is having the roughest ride with its Casanare oil project which have become the target of Colombian guerrilla attacks. "We believe we are a part of an alternative to conflict and narcotics" in Colombia, Mr Newton stressed. BP is having to pay the army to protect it.

"The army is accused of abuses and we are accused of complicity by association", he said.

NEWS DIGEST

PENSIONS MIS-SELLING

Regulators fine Sun Life of Canada record $1m

A record £600,000 ($1.02m) fine was imposed on Sun Life of Canada yesterday after regulators said it had failed to investigate its pensions mis-selling cases properly. The group was also ordered to pay £125,000 in costs. The fine follows an inspection visit by the Personal Investment Authority in February 1997 and relates to cases involving both Sun Life and Confederation Life (UK), a company acquired by Sun Life in 1994.

The PIA said the visit showed the companies had omitted 30,000 cases from the review, had failed to trace nearly 4,000 investors and had not supervised an external mailing house properly. Sun Life said it was "disappointed" by the size of the fine, but accepted it had not met the PIA's standards for carrying out its review in the early stages.

Maurice Bates, a Sun Life senior vice-president, said: "This fine relates to historical events, and we now have an action plan in place to ensure we give full and fair compensation to everyone affected."

Sun Life has 27,000 priority mis-selling cases, with two-thirds likely to receive compensation. The group has made total provisions of £171m, and has already paid £41m of compensation. **Christopher Brown-Humes, London**

SINN FEIN REFERENDUM STANCE

Vote warning from Irish PM

Bertie Ahern, prime minister of the Republic of Ireland, yesterday called for "strong public support" for the Northern Ireland peace agreement. But in an implicit warning to Sinn Féin, political wing of the Irish Republican Army, he said: "We cannot afford one response in the north and another in the south."

His comments follow Sinn Fèin's annual conference at the weekend when Gerry Adams, the party's president, suggested that republicans in the Irish Republic may oppose the deal in next month's referendum while those in Northern Ireland support it.

"I expect and am calling for a united and not a partitionist approach. Everyone needs to rise to the occasion if we are all to get the benefit of the agreement," Mr Ahern told the Dail, the Irish parliament. All main Irish parties gave their backing to the deal in a Dail debate formally launching the campaign for the May 22 referendum. **John Murray Brown, Dublin**

STATE EDUCATION

Homework 'crammers' planned

The government yesterday unveiled plans for a £200m ($334m) national network of 8,000 homework "crammers" to give state school pupils the same access to extra supervision as pupils at privileged fee-paying private schools. The move, accompanied by the first national guidelines on homework, underlines the growing rapprochement between the government and private schools. David Blunkett, the education secretary, said "homework is an essential part of education". Yet while pupils at private schools were given homework and, where necessary, extra tuition on weak subjects, state school pupils often lacked this additional support. National Foundation for Educational Research figures showed that more than two-fifths of 10-year olds did not receive homework, yet over half spent three or more hours every night watching television, he said. **Simon Targett, London**

INFLATION

Rate fractionally above target

Figures published yesterday showed inflation remaining fractionally above the government's target last month, although analysts expect the figures to get worse before they get better. Prices rose by 0.3 per cent in March, taking the retail prices index to 160.8, the Office for National Statistics said. The annual rate of inflation edged up from 3.4 to 3.5 per cent, the highest rate since December. Excluding mortgage interest payments, the government's preferred measure of underlying inflation remained at 2.6 per cent. The figures were close to expectations and prompted little reaction from the financial markets. **Robert Chote, London**

CURRENCY SWITCHING

Bank offers 'betting' on euro

National Westminster Bank is to offer business borrowers a one-way bet on interest rates as the euro is introduced. Its new fixed-rate sterling loan facility will allow borrowers to switch into euros or to lower fixed sterling rates.

Mike Sadler, head of business solutions at NatWest Corporate Banking Services, said the bank would hedge its exposure in the market. NatWest said 2,000 companies had registered an interest in the euro bank account it launched last month. **Clay Harris, London**

CRIME SURVEY

More suspects are drug users

A higher than expected proportion of crime suspects are drug users – an average of 6 out of 10, according to UK government research published yesterday. Researchers also found that property crime committed by drug users to fund their habit cost the country up to £2.5bn ($4.2bn) a year.

Tests on a random sample of people arrested for a variety of offences showed nearly 20 per cent had taken heroin or other opiates in the previous few days and one in 10 had taken cocaine or crack cocaine. Both figures are significantly higher than the proportion of the general population believed to use drugs. The 1996 British Crime Survey estimates that one in 20 people aged between 16 and 29 have tried heroin or cocaine. **Simon Buckby, London**

AIRLINE ALCOHOL POLICY

Judge criticises Virgin Atlantic

Virgin Atlantic was criticised by a judge yesterday over its policy of serving alcohol to passengers after a 32-year-old man was jailed for causing an affray on a holiday flight from Orlando, Florida, to Manchester, England.

Manchester Crown Court heard that the pilot became so worried that he ordered the cockpit doors to be locked. Lawrence Oliver of Croxteth, Liverpool, who had been drinking beer and vodka, shouted abuse at a flight attendant and assaulted his wife, the court heard. Sentencing Oliver, who admitted affray, to 18 months' imprisonment, Judge Anthony Ensor said Virgin Atlantic should look again at its provision of drink on board. Just over a year ago Judge Ensor jailed a man who disrupted a transatlantic Virgin flight.

GENERAL MOTORS WAGE RISE WOULD BE INCREASED IF STERLING FELL BELOW DM2.70 FOR TWO CONSECUTIVE MONTHS

Pay offer is linked to £ level against D-Mark

By John Griffiths in London

About 10,000 employees at the Vauxhall offshoot of General Motors are to vote tonight and tomorrow on a three-year pay offer which includes the motor industry's first linking of pay to exchange rates.

The offer includes a commitment to pay workers an extra 0.5 per cent in the third year of the agreement if sterling falls below DM2.70 for two consecutive months. Sterling closed in London last night at DM2.9996.

Under the deal a drop in sterling to below DM2.70, in combination with the new working practices, would allow the Luton factory in southern England to narrow the costs gap between UK and other European plants enough to allow a small degree of extra compensation to the UK workforce.

Prospects of the package being accepted rose last night. White collar workers in the Manufacturing Science and Finance union voted unanimously in favour at meetings in Luton and the Ellesmere Port plant in north-west England. Officials of the Transport and General Workers Union, representing most employees, were reported to be moving towards recommending acceptance.

Rejection would raise serious doubts about the future of the Luton factory after its output of the Vectra model ends in three years.

Vauxhall chairman Nick Reilly, who told workers last week he would forgo his £160,000 basic pay this year and that other directors would take pay freezes as part of a deal, has warned employees by letter that GM could meet demand for the Vectra's replacement from only two plants, not the current three.

Poorer UK productivity and the sharp rise in sterling against the D-Mark have resulted in Vectras becoming some 30 per cent more expensive to build in the UK than Germany. This leaves Luton vulnerable without a big rise in productivity.

The package, which essentially secures increased working flexibility and productivity in return for job guarantees, is similar to agreements signed between Vauxhall's sister company, Opel, and its workforces in Germany, Spain and Belgium.

There would be no compulsory redundancies arising from revised work practices. Other elements of the UK package, it emerged yesterday, include: a 3.5 per cent pay rise in the first year, starting from August 3; a 3 per cent rise, or the rate of inflation, depending on which is higher, in year two; and a rise in line with inflation in the third year, plus the extra half per cent if triggered by exchange rate movements.

Acceptance of the deal would strengthen greatly Mr Reilly's hand in seeking to obtain a commitment from General Motors Europe to include Luton in the production plans for the Vectra replacement.

● Rover Group, the UK subsidiary of BMW, has signed what it described yesterday as a "historic flexible working agreement" with unions covering a new BMW Group engine plant at Hams Hall in the English Midlands. It will allow the plant to operate for six days and nights during 48 weeks each year.

Lex, Page 16
Japanese car sales, Page 17

Effort to speed up recycling runs out of momentum

Using competition to meet EU requirements leads to extra problems, says **Leyla Boulton**

Trading in Packaging Recovery Notes – known as PRNs – has evolved as a means for UK companies to prove they have met mandatory new targets for the recycling of old glass, metal, paper and plastic waste.

The need for such proof arises from Britain's unique attempt to inject competition into the way it implements European Union requirements for companies that generate more than 50 tonnes of packaging a year to recycle up to half of it by 2001.

Instead of creating a single organisation to collect funds from industry to pay for increased recycling, as most other EU countries have done, the UK insisted that competing schemes should meet companies' obligations. This has spawned a dozen organisations that offer to discharge customers' recycling obligations for a fee.

Even so, waste producers are free to do their own recycling. The government expected that competition would drive down the cost of the regulations and spare UK business the annual DM4bn ($2.1bn) bill imposed by Germany's monopolistic system. It estimated the British system might cost UK companies – ranging from packaging producers to sellers of packaged products – closer to £250m ($417.5m) or £600m by 2001.

But apparent teething problems have forced the government to review the experiment. So far, says an official involved in the review, opinion is divided between "those who want to put in extra regulations and those who say: 'Let it function as a market instrument and it will find its right place'."

The biggest source of complaints about the new system is the way in which the PRNs are issued by "reprocessors" – factories that recycle the waste packaging into new products or energy.

The garbage disposal industry argues that because reprocessors are under no obligation to issue PRNs to any company that delivers material to them, they can drive up the price and sell to the highest bidder. This is often perceived to be Valpak, the biggest compliance scheme, which represents 60 per cent of companies covered by the legislation.

Guidelines by the Environment Agency, the "green" watchdog responsible for enforcing the legislation, say simply that the issuing of PRNs should be a matter of "negotiation". "We expected there to be a more fluid situation," admits one official.

Waste disposal companies claim this hurts their compliance schemes, which charge lower fees to members as a reward for collecting their own recyclables.

"I'm uncomfortable with the idea that if you make recycling more expensive it will magically expand in tonnage or volume," says Peter Jones, director for business development at Biffa, a waste company that operates its own compliance scheme.

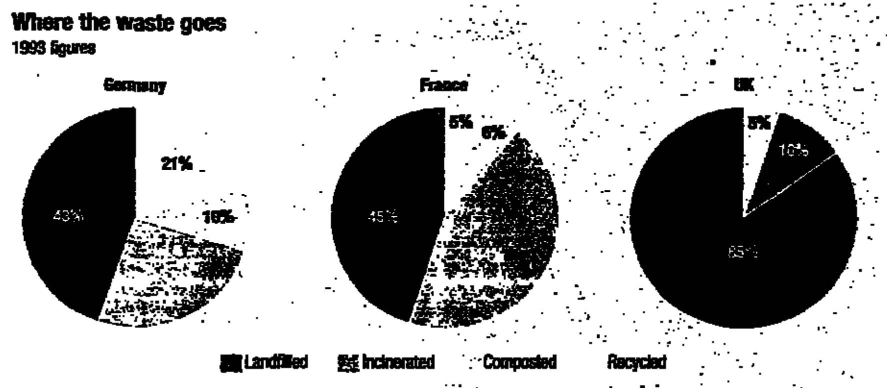
"If you make something more expensive, less usually happens rather than more."

But Valpak says the price it pays for PRNs includes a necessary element of subsidy to encourage reprocessors to expand recycling operations. John Turner, Valpak's chief executive, says the priority should be to boost Britain's low recycling rate of 2m tonnes of material a year to 5m tonnes by 2001. This requires new recycling capacity and boosting demand for recycled materials. Meanwhile, two private companies, Enviromac and Evidex, are competing to set up an electronic system for trading PRNs which they claim will give the market the transparency it needs to work more efficiently.

Mutual suspicions of the sort traded since the market began in January are most likely to thrive in a system where nobody is under any obligation to disclose prices, they say.

But Mr Turner sees electronic trading as a "distraction" from the bigger problem of increasing recycling levels. The Office of Fair Trading says it is still seeking proof of the abuses alleged by the waste companies: "If anybody's got any evidence, let them come to us with it."

Where the waste goes
1993 figures



Use of packaging (UK) '000 tonnes	Glass	Board	Steel	Aluminium	Plastic
Total annual tonnage	2000	11000	650	120	1300
Recycled tonnage	400	3400	200	30	90

Source: Environment Business

Court blow to 'safety curb' on beef sales

Financial Times Reporters in Edinburgh and London

The government's attempt to ban the sale of beef on the bone suffered an embarrassing setback yesterday when a Scottish court threw out the UK's first prosecution under the new legislation.

Sheriff James Paterson said the regulation under which the prosecution had been brought was defective because of wording that was so imprecise that "it could mean anything".

Jack Cunningham, the agriculture minister, said the regulations remained in force and were essential to protecting public health. The judgment turned on a legal technicality and the government needed time to study its implications, he said.

But the judgment was seized on by meat retailers and the opposition who called for the regulations to be scrapped.

Michael Jack, the opposition Conservative party's shadow agriculture minister, said the Selkirk Sheriff Court decision vindicated claims that the regulations had been introduced without sufficient consultation and were unenforceable. "The government has a very simple solution at hand to solve the crisis. They should now back off and repeal the beef on the bone regulations."

The National Federation of Meat and Food Traders, representing 3,000 butcher shops in Britain, said its view that the ban was unworkable had been confirmed.

The outcome delighted James Sutherland, the Berwickshire hotelier who was charged with violating the law banning the sale of beef on the bone by serving it to 170 people at a "prohibition dinner" in December.

"It's a fantastic victory," he said. "We have a sheriff who saw what the problem was and he was prepared to stand there in court and tell the government that they have got it seriously wrong on this occasion," he added outside the court.

Mr Sutherland organised the dinner in protest at the regulations which had come into force five days earlier to reduce the possibility of people eating beef infected with BSE, or "mad cow disease". The meal was free of charge and participants donated £1,700 ($2,840) to charity.

Madonna record label to launch in London

By Alice Rawsthorn in London

Maverick, the US record label co-owned by singer Madonna and Warner Music, her record company, intends *to open a UK subsidiary.*

Freddie DeMann, chief executive of Maverick, which includes among its artists Alanis Morissette and UK dance act the Prodigy, said he hoped to set up a London unit within six months.

"We've already had some success with UK acts, and have reached the stage where we need to establish a presence there," he added. "Vanity" labels, as record companies linked to superstars are called, are rarely commercially successful. Maverick has bucked the trend by becoming one of the most dynamic US labels since its 1993 formation.

Jagged Little Pill, Ms Morissette's debut release, sold 28m copies worldwide. *Fat Of The Land*, the latest album from the Prodigy, went straight to Number One in the US after its launch there last summer. The label has also had successes in the US.

Initially, Maverick was set up as a joint venture between Madonna and Mr DeMann, her former manager, who had a combined shareholding of 50 per cent, and Warner Music, part of Time Warner, the US entertainment group, which held the remaining half.

Madonna, who is the label's chairman, and Mr DeMann have ceded part of their shareholding to Guy Oseary, Maverick's head of A&R, and Ronnie Dashev, chief operating officer.

Under the terms of the joint venture, Warner Music owns the rights to distribute Maverick's acts outside the US, except for foreign artists who are already signed to other international labels.

PolyGram sales, Page 18

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IT YEAR 2000

A man with an un-PC method

For the heads of about 600 of the world's biggest organisations, a voluble young Englishman has suddenly become the most important person in their lives.

The companies are facing serious problems with their mainframes if the Year 2000 issue is not fixed. As a result, corporations, banks, utilities and public authorities have been beating a path to Mark Stabler's door. Mr Stabler, 34, left school at the legal minimum age, despite being very able academically. Now he is head of the Year 2000 unit at Computer Associates, the big US software group.

In January, CA put on general release a new software package, CA/Fix-2000, which it believes is the first fully automatic, high-speed, high-accuracy solution for locating and fixing dates on programs written in the Cobol computer language.

Older Cobol language dialects cannot recognise four-figure dates because of the way they were originally programmed. Experts believe this problem may form up to 70 per cent of the total Year 2000 reprogramming effort.

CA claims its program is superior to others already on the market. Crucially, it can be run on the mainframe itself, not on PCs. Hitherto, many Year 2000 solutions have applied the "PC-tool" approach, in which modules of code are taken from mainframes and put on to PCs.

"These are too slow," says Mr Stabler, "and PC-based solutions lack consistency and accuracy. Anyway, lots of dates don't need to be changed."

Fix-2000 not only highlights problem dates, but provides an "audit trail" that lets programmers know if there are glitches in Cobol's links with subsidiary programs. Above all, its speed enables manpower to be deployed more quickly on testing, which is where human skills are most needed.

Early users of Fix-2000 like what they see. Gary Gray, IT chief at Isuzu Motors America, says Fix-2000 is "the closest thing to a 'silver bullet'. A huge benefit is that it corrected our code only when required, minimising changes and reducing the time required for testing."


Mr Fixit: Mark Stabler's frank approach has won him plaudits

Mr Stabler, who was appointed only last May, now finds himself moving in lofty corporate and government circles. Securing rapid-fix contracts – some worth $10m apiece – with CA's biggest 600 clients has become his primary task.

Mr Stabler has the unenviable task of telling chief executives, federal officers and civil servants just how far behind their organisations have fallen in the race for compliance. Yet his frankness, together with an ability to explain the problem in layman's terms without avoiding its complexity, has won him plaudits.

Australian state government ministers, Thai cabinet ministers and Chinese regional authorities have come to value his input. As Mr Stabler says, fixing the Year 2000 problem "is not an IT issue – it's a business and consumer issue . . . Second, don't take a people approach, take a tool approach."

Although academically bright, Mr Stabler felt no appetite for university life, and joined a City insurance company after leaving school.

A subsequent spell at software house Goal Systems, in the UK and later at its Columbus, Ohio, headquarters, gave him an unusually wide expertise in technical skills, sales, support and client liaison.

Later, he joined Legent Corporation, the Virginia-based software group, a move that proved fortunate when it was snapped up by CA in 1995. Since taking CA public in 1981, its founder Charles Wang and his second-in-command Sanjay Kumar have been expanding aggressively, often through acquisition.

Mr Wang soon spotted Mr Stabler's energy, and promoted him first to head its strategic relationships with big companies such as Digital, Microsoft and Intel, and later to its Year 2000 unit.

Mr Stabler, who is married to a former buyer for Argos in Milton Keynes, lives in New York with his wife and their four-year-old daughter. Yet the man who gets 200 e-mails and 50 voice-mails each day still misses British beer and Galaxy chocolate bars.

Marcus Gibson

LOUISE KEHOE
EAGLE EYE

Caught with its systems down

Recent breakdowns at large companies highlight the importance of having back-up facilities

When computer systems break down, it becomes painfully obvious how dependent we have all become on information technology.

Last week, when AT&T's Interspan high-speed data network shut down for about 20 hours, thousands of businesses in the US were disrupted. Automated teller machines were thrown offline, stores were unable to process credit card transactions and travel agents could not issue tickets.

This week Charles Schwab, the leading US stockbroker, was unable to process trades for about two hours on Monday morning. Its web site and telephone service were down, but worse, its traders could not access customer accounts or stock information. It was a short, but potentially expensive breakdown.

In the era of centralised computing, making contingency plans for system breakdowns was relatively easy. Many companies had – and still have – back-up systems at "hotsites" that can take over the role of a mainframe computer.

It is more difficult, but none the less essential, to have back-up systems at the ready in today's era of computer networks. The notion that distributed computer systems are immune to catastrophe is proving to be a myth.

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The prospect of critical computer systems failing at the turn of the century has businesses and governments worried, but trial lawyers in California are "licking their chops", according to their adversaries in Silicon Valley.

California's high-tech industry is lobbying for protection against an anticipated avalanche of millennium bomb "lottery lawsuits", so called because the filers hope to hit the jackpot with a huge award of punitive damages. A proposed law, currently before the state assembly, aims to prevent "frivolous" class action lawsuits on behalf of computer users. Supporters of the bill claim such legal actions would serve only to line the pockets of opportunist lawyers while "victims" would get nominal compensation.

While several states have already passed laws to protect local governments from Year 2000 (Y2K) liability, the California bill is the first aimed at shielding computer and software suppliers.

The proposed law would limit the liability of IT companies to the actual damages incurred by their customers. It would exempt the industry from class action lawsuits claiming fraud, negligence or unfair business practices based on Y2K glitches.

Industry trade groups predict Y2K lawsuits could dwarf asbestos litigation

However, it would apply only to companies that informed customers of potential problems and provided the needed "fixes" for off-the-shelf software free of charge. Computer users could still file claims that computer or software suppliers had not lived up to contracts or warranties.

Critics say the proposed law has been drafted to let the computer industry "off the hook". Computer users would be forced to carry most of the costs of correcting software errors while their recourse against suppliers would be limited.

Yet the computer industry's fears of high-cost nuisance lawsuits are not unfounded. Two lawsuits have already been filed against Californian companies by lawyers renowned for their role in shareholder class action lawsuits. This is just the beginning, according to computer industry trade groups who predict Y2K lawsuits could dwarf asbestos litigation.

Lawyers behind these cases say they are just trying to force the IT industry to solve the Y2K problem without making customers pay for software fixes. Industry groups counter that the legislation they are backing would provide an incentive for free fixes.

It would be easy to sympathise with the high-tech industry were it not for its stringent efforts to avoid liabilities even before the Y2K issue emerged.

Dig out the paperwork that comes with one of the most popular PC application programs and you will find that users have very limited recourse after 90 days. Liability for lost business profits, business interruption or loss of business information are specifically excluded.

If software and computer companies are not prepared to stand by their products, they deserve to be dragged through the courts.

It would be a shame if a few lawyers were the beneficiaries. Better by far if computer users were to create a grassroots movement – the internet provides an ideal rallying ground – to demand free Y2K fixes and less restrictive software warranties.

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The chances of a hacker intercepting your credit card number as it is transmitted over the internet are tiny compared to the risks of credit card fraud on the high street, promoters of e-commerce will tell you.

Their arguments are persuasive. After all, when a salesperson or waiter disappears with your credit card you have little assurance that fraudulent charges will not be added to your account. It has happened to me.

Contrast this with the risks of making internet purchases. Automated sales systems limit the opportunity for credit card abuse. In many cases, consumers are further protected by the encryption of transaction details.

Yet there are important consumer protection issues that electronic merchants have yet to address. I still use my credit cards, even though I have been the victim of a dishonest salesman in an electronics store. I can do this because I am protected by consumer laws that limit my liability for fraudulent credit card charges.

On the internet, the situation may be very different. I cannot be sure the consumer protection laws of my state, or country, will apply. Internet merchants can locate their physical headquarters anywhere in the world and they might well choose places with lax consumer laws.

What is needed is a "code of conduct" for internet merchants, according to Ira Magaziner, the top adviser to President Bill Clinton on all matters relating to the internet. Companies that agree to adhere to the code would be entitled to display a symbol on their web sites. Online consumers who shopped elsewhere would do so at their own risk.

This approach can work to the benefit of consumers only if the "code of conduct" reflects the strictest consumer protection laws in the world. The more likely outcome is limited adherence to a "lowest common denominator" set of consumer protection rules. On the internet, it will be "caveat emptor".

Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Louise Kehoe by e-mail on louise@FT.com

Information Technology
● The FT's review of Information Technology appears on the first Wednesday of each month

JOHN W. HUNT
ADVISES

Generation X discovers that freedom is just another jail

They don't want to be managers, but autonomous specialists have fewer options

Dear Professor Hunt,
I have now asked three of our expensive high-flyers in their late 30s to run one of our divisions. All have rejected the offer. No one seems to want to run things any more. It seems I have to beg people to accept managerial jobs.

Prof Hunt replies:
There has been a massive change in what high achievers find exciting at work. For centuries the ultimate aphrodisiac was the exercise of social power. In modern times this has found expression in the opportunity to run a big corporation or government department. Millions of managers around the world endured public scrutiny and endless performance assessments to realise that ambition. Status was measured by the number of individuals a manager controlled.

Then priorities changed. This was first seen in the US in the early 1980s and in Europe a few years later. For the first time in 20 years of collecting data on what motivates, we were finding power was clearly in decline. A new breed of high-flyers born in the 1950s and 1960s were not excited by the prospect of exercising power over lots of others. What they prized was autonomy and few or no dependants.

Unlike their predecessors they wanted freedom and to do things their way rather than manage others. Various explanations were offered by researchers to explain this shift in priorities. Two world wars had demonstrated the evils of social power. The rewards for managing were not as attractive as those for specialists. Technology would reduce the demand for managers. Organisations were over-managed already. Mature adults could manage scarce resources through consensus and without hierarchy.

Whatever the explanation, the number of employees wanting to run something was dwindling. General managers were to become rare. Effective general managers – those who did it well – were even rarer.

Generation X, as it was dubbed, was criticised as being unstable. Its members did not fit the patterns of the past. They saw their careers as their affair. They wanted freedom to operate independently and were ready to change jobs to achieve more autonomy.

Even the concept of a career was a contradiction as it suggested a series of steps controlled by the powerful. This lot intended to control their careers themselves. If they had an idea of a career it was as a portfolio of activities that might or might not reflect an institutional framework.

This generation was different in other ways too. While reluctant to run things themselves they did not mind criticising those who did. Indeed, anyone trying to manage these people in the late 1980s and early 1990s rapidly concluded that whatever he or she did for them was certain to be wrong. Most had professional qualifications or skills in short supply. Most wanted generous support. Most wanted to be understood and many made little effort to explain their position. Hence, they were seen as arrogant, demanding, disloyal, self-centred and often incapable of maintaining relationships.

Self-fulfilment, autonomy, self-directed work groups and empowerment became the buzzwords for the 1990s and traditional companies were criticised for their undemocratic centralisation of power.

Then recession hit western businesses and power broking chief executives were forced back into the limelight. Managing in a crisis requires a centralisation of and willingness to use power. Turnaround requires difficult decisions. These are the conditions in which bosses who love power thrive. They cut and reshape. Their expectations are expressed precisely in financial terms. Everyone understands the message. They focus on the short term and motivate people to keep their heads down, their clients or customers happy, and the cash flowing. These people are not given to wishy-washy statements about corporate vision.

Many supposedly excellent companies struggled to reconcile promises of fulfilment for individuals with falling markets. Some began to fail and many members of Generation X met their Waterloo.

They had married, had children, bought houses, paid for education and had, almost imperceptibly, sacrificed autonomy for a guaranteed lifestyle. Freedom is never without restrictions. Recession forced them to admit just how dependent they were on the institutions they criticised so loudly. An autonomous specialist at 40 has far fewer options than an experienced generalist. Years spent refining expertise had not guaranteed freedom at all – just another form of dependence.

Redundancies meant for many a switch to consultancy. Others realised they did like being in charge after all and found managerial roles rewarding, especially if they could run whole businesses as autonomous units.

Good chief executives became more expensive. Headhunters searched the world for chief executives motivated by and willing to use power to rectify wrongs. But by the 1990s, the aversion to power had weakened.

This year we have seen the first hard evidence in the London Business School data bank that achievers in their late 20s and 30s are ranking the opportunity to run things more strongly than a decade ago. They are also ranking power ahead of autonomy. The shortage of general managers may be coming to an end.

Autonomy is still a dominant motive for many professionals who do not want power and go to great lengths in their early careers to provide evidence of their managerial incompetence. At the same time there is an increasing proportion of people who do want to be general managers. That is good news. Organisations do need managers, in spite of all the hype to the contrary.

John W. Hunt is Professor of Organisational Behaviour at London Business School and a consultant to private and public sector clients. This column appears fortnightly.

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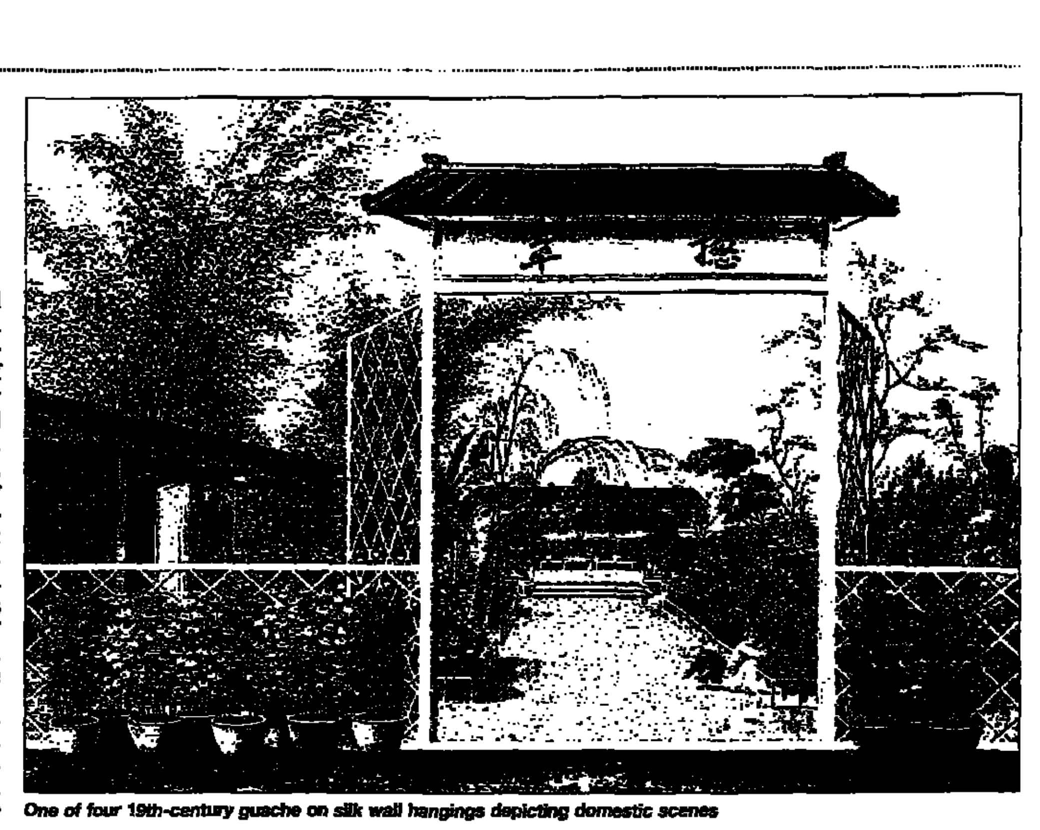
SALEROOM: CHINESE FURNITURE IN NEW YORK

A keen interest in quality



One of four 19th-century guache on silk wall hangings depicting domestic scenes

It was clear nothing would ever be quite the same again for traditional Chinese *furniture* after a Christie's sale in 1996 established a new benchmark for the works of the Ming and early Qing dynasties. Since then dealers have held their breath wondering whether prices would recede from a high-water mark of 1996 when Christie's disposed of the contents of the Museum of Classical Chinese Furniture, assembled, improbably, by a religious cult in California.

That sale, which brought $11.2, $3m above the auction house's pre-sale estimate and included a record price for a Chinese *furniture* item of $1.1m for a 17th century *huanghuali* standing screen, prompted concern the market may have got a little ahead of itself.

But the recent spring sales in New York have confirmed that prices for items at the top end of the market are continuing to rise strongly, reflecting shortage of supply and keen interest among collectors in classic furniture which had, *until fairly recently*, been a less noticed segment among oriental collectibles.

However, at the same time the New York sales also indicated that the market has softened for "mid-range" furniture items (those in the $15,000-$40,000 bracket) as collectors become more choosy. "There is more interest, more exhibitions, books, and symposiums on the subject of classic Chinese furniture. People are becoming more educated, and frankly at these prices people have to be more discerning," says Theow Tow, Christie's international director of Chinese works of art.

A steady trickle of fakes into the market has made buyers wary of mid-range items and they are paying more for provenance

At Christie's auction of fine Chinese ceramics, bronzes and works of art on March 25 the sale of a pair of *huanghuali* round corner cabinet with unusual *baitong* lockplates at a price which far exceeded estimates confirmed the strength of the market for quality and provenance.

The tapered cabinets, which are a staple of the best collections, brought $220,000 compared with an estimate of $80,000-$100,000. The successful bidder was a Hong Kong collector, suggesting Asia's economic woes have not yet bitten too deeply in the former British colony.

Collectors seeking to draw a bead through the 1996 Christie's sale paid particular attention to a rare *huanghuali* Kang table with folding legs and a splendid Jichimu recessed-leg table, both of which had come from the Californian collection. In the event, the Kang table brought $28,000, much the same price as in 1996. But the Jichimu side table exceeded estimates, bringing $70,000, 40 per cent above its 1996 price. The piece had excited keen interest among dealers.

Buyers are becoming more concerned about the provenance of items offered for sale. A steady trickle of fakes into the world market, the handiwork of skilled artisans from mainland China, has made buyers particularly wary of mid-range items, according to Lark Mason, vice president Chinese Works of Art at Sotheby's. "The reason people are paying more for provenance is because of fakes," says Mason. "If you can have an established provenance it takes away the problem."

Mason believe a high percentage of *huanghuali* items of dubious origin are fakes. "As the market rises," he says, "There is a very strong incentive to make superb copies." He also faults dealers who have sold indifferent items for extraordinarily high prices, bringing disappointment to collectors. The past several years has seen a sorting of the sheep from the goats.

In spite of a somewhat ragged learning experience for collectors of classic furniture prices, generally speaking, matched expectations at New York's spring sales. Overall, the clearance rate of oriental collectibles at both Christie's and Sotheby's, including furniture, paintings, ceramics and snuff bottles did better than anticipated. At Sotheby's, unsold or "bought-in" works of art totalled just 13.7 per cent of lots offered.

Sotheby's had been uncertain about the effects of the Asian financial crisis on prices, and, in fact, postponed a sale of Korean items until later in the year. But in the end the impact was minimal with strong buying from Taiwanese and Hong Kong collectors and dealers. The Japanese have not been a major force for years because of a lingering financial crisis. As Mason says, the "problems in Asia are not monolithic."

Tony Walker

BALLET IN PARIS

A turkey – and a band of young hopefuls

Clement Crisp reviews performances by a healthy company with a loyal audience

As I have had often enough occasion to note in the past: they order these balletic things better in Paris. Partly because of proper funding from the state – Chris Smith please note – but also because the Paris Opéra believes it has a duty as well as a joy in bringing the best of dance to the largest possible audience. Hence rational pricing. Hence, too, the effort to give wide-ranging programmes. And there is, as a guiding and morally splendid attitude, a sense of pride in achievement.

Last week, in a dazzling study of logistics which was quite as dazzling as an artistic achievement, 85 members of the Opéra Ballet paid a triumphant visit to Beijing, giving three performances of *Giselle* (plus added divertissements) in the Great Hall of the People to nightly audiences of 11,000 people. At the same time, a group of 40 Opéra dancers were to be seen at the Bastille Opéra House in a modern piece, *Les Variations d'Ulysse*, while – concurrently – a select band of young talents were involved at the Palais Garnier in the annual programmes given over to *jeunes danseurs*. Ask not what our own national ballet was doing.

Lest I be thought to be wearing several pairs of rose-coloured spectacles, I had better add at once that *Les Variations d'Ulysse* is a turkey of galactic proportions. It is the creation of Jean-Claude Gallotta, a darling of the French *danse moderne* (or whatever they call it. I call it an imposture).

It offers the grand space of the Bastille stage, bare but *superbly lit by Dominique* Brugière, in which arena the cast, led by Jose Martinez (who is both Homer's hero and James Joyce's, and no further comment is needed) and Agnes Letestu, rush and pose and strike attitudes, and behave as if in search of choreography. Vain hope. There is a sound-track of fearful banality, and a single white ball roams cheerily through the action. A couple more of these would amount to critical commentary.

It is a piece with which Gallotta has been fiddling over the past decade. It will never get better if he goes on picking at it. The cast, all clad in crazed white outfits that are the beach-wear of the damned, demonstrate an energy and and dedication over and above the call of any duty. They are very fine. They deserve to be rewarded with choreography and not this flimsy tosh.

Meantime, back at Ranch Garnier, the young hopefuls (aged between 17 and 20, and angels all) were on view in an evening of classic testpieces. Duets from *Giselle*, *Swan Lake*, *Beauty*, the dear old sextet from *La Vivandière*, Balanchine's *Capriccio* pas de deux, and the grand pas from *Raymonda*. Test-pieces all, and plenty of flying colours.

My heart was won by Juliane Mathis, who pounced on her dances in *Vivandière* and sent them flying over the stage in prettiest, most buoyant and bright-footed style. Her partner, Mallory Gaudion, is a chap to watch, unafraid of aerial turns to left and right, and as ebullient as she.

Punchy elegance: Marie-Isabelle Peracchi and Alessio Carbone in 'Capriccio' pas de deux

The *Capriccio* was brought off with a punchy elegance, and not a little sexual wit, by Marie-Isabelle Peracchi and Alessio Carbone – admirably *cast* – and the final *Raymonda* gave chances to two very promising *sujets*, Marie-Agnes Gillot and Stephane Phavorin, and some ardent young *soloists*.

It is programmes of this kind, which involve the audience in watching the *hopes and aspirations of the* company, that makes the future of the troupe of such real significance to its public. And the ticket cost is sensible: top prices for these *evenings were £30 and £20*. The audiences were, clearly, a real public, of all sorts and conditions, fascinated by *experiment, eager to see new* dancers and new choreography, and believing utterly in the company they support. Covent Garden please note.

An old story played to a modern tune

OPERA

ANDREW CLARK

Greek
South Bank Centre, London SE1

When Mark-Anthony *Turnage's Greek received* its first performances at the 1988 Munich Biennale and later in Edinburgh and London, it was so identified as a protest against Thatcherism that there were doubts about its durability. Last weekend's performances at London's South Bank Centre – amazingly, only the second UK staging of the work – proved those doubts to be unfounded.

The opera has weathered well – better than the Steven Berkoff play on which it was based. By taking the story of Eddy (Oedipus) back to its classical roots, Clare Venables's staging shows that this modern re-telling of the Sophocles tragedy is much more than a piece of agitprop. Unlike so much contemporary opera, there is nothing ivory-tower or arty-farty about *Greek*. Turnage's material is strong, direct and *theatrical – above all in the* Act 2 riddle scene, where an atmosphere of menace and suspense is borne aloft on a swing-inflected crescendo. His models – Berg for much of the instrumental writing, Britten for the voices – may be obvious, but he is never less than his own man. This music is so rich and atmospherically resonant that anyone can get into it, no matter what their musical persuasion.

Venables and her production team – the designer *Conor Murphy*, the conductor Diego Masson and the London Sinfonietta – deserve credit for underlin*ing these qualities. They* make *Greek* appear softer, less aggressive, more imbued with the tragedy of antiquity, than we originally thought – notwithstanding the raw comedy which punctures the seriousness of every scene. Venables rams home the sitcom quality of Act 1, and while there are equally entertaining moments in Act 2, such as a *farcical coitus interruptus* on the arrival of Eddy's parents, the second half has a sardonic-ironic air in keeping with Turnage's more expansive music.

The only failure is the riot scene, obscured by the drab stone facade which dominates Act 1. Murphy could have used the stage of the Queen Elizabeth Hall more imaginatively here, and explored his chevron-like design-motifs less apologetically. He seems more at home in Act 2, creating an open-plan set which marries modern chic with classical simplicity. For his confrontation with the Sphinx, Eddy submits to an X-ray examination by two forbidding female doctors (worlds away from the punk lesbians of Jonathan Moore's original *production*), who reveal themselves, beneath their white coats, to be black-*tailed vampires*.

There is nothing arty-farty about 'Greek'. The music is so rich and atmospherically resonant that anyone can get into it

*I am still not entirely con*vinced by the lighthearted ending. Turnage presumably *felt* that pointing a moral would have been too much an establishment stance. Eddy gets away with murder and a lot else, and in that sense, *Greek* is very much a young man's opera. *But* by giving the devil the last laugh, Turnage is mining a theatrical tradition almost *as venerable as classical* tragedy.

And, of course, Eddy is too disarmingly honest to be the devil – especially in the shape of Garry Magee, who combines the boyish charm of Billy Liar, the streetwise humour of Harry Enfield and the amoral chutzpah of Brecht's Macheath. Magee makes us believe in Eddy's potential as a reformed character, but we're not allowed to get sentimental. The whole show smacks more of *Punch and Judy* than *East Enders* – a point made enduringly clear by the way Eddy pops up from his death-bed, pin-pricking the wishful thinking of the final refrain.

Magee's swaggering and richly nuanced performance *is matched by Richard* Chew's Dad, a superannuated spiv who captures the manners of working class *parenthood as vividly as* Louisa Kennedy-Richardson's Mum. Together with Louise Mott's blonde bombshell of a Wife, they work their way through a host of minor parts which have us gasping at their versatility and Turnage's ingenuity.

Masson and the Sinfonietta convince us that the 25-year old Turnage was more comfortable writing for instruments than for voices: in scene after scene, the dramatic language rising from the pit went far beyond merely aping or supporting the action on stage. This is the language of a born theatre composer, and it makes Turnage's first full-scale opera, to be premiered by English National Opera in 2000, all the more impatiently awaited.

INTERNATIONAL

Arts Guide

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
● Berlin Philharmonic Orchestra: conducted by Roger Norrington in works by Haydn and Knussen; Apr 22
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Mozart, Rihm, Brahms and Schumann; Apr 25, 26

DANCE
Deutsche Oper
Tel: 49-30-34384-01
La Sylphide: revival of a production designed by David Walker and directed by Peter Schaufuss, after August Bournonville; Apr 25

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Der Prinz von Homburg: by Henze. Production conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 24
● Lohengrin: by Wagner. Revival of a production conducted by Christian Thielemann and staged by Götz Friedrich; Apr 26

BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-212 3333
Ivo Pogorelich: recital by the pianist of works by Rachmaninov, Granados, Prokofiev, Schumann *and Chopin; Apr 23*

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: American premiere of Carter's Clarinet Concerto, conducted by Pierre Boulez with clarinet soloist John Bruce Yeh. The programme is completed by Mahler's Symphony No. 1 in D Major; Apr 23, 24, 25, 26

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Francis Bacon: major retrospective including loans from around the world; ends on Sunday

FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiofiorentino.com
The Lady Macbeth of the Mtsensk District: by Shostakovich. New production by Lev Dodin, conducted by Semyon Bychkov; Teatro Comunale; Apr 24, 26

FRANKFURT

CONCERTS
Frankfurt Oper
Tel: 49-69-21202
Warsaw Radio Symphony Orchestra: conducted by Wojciech *Rajski in works* by Beethoven and Dvorák. With piano soloist Olli Mustonen; Apr 26

GENEVA

CONCERT
Victoria Hall
Tel: 41-22-3170017
Orchestre de la Tonhalle de Zurich: conducted by David Zinman in works by Bartok and Mahler. With violin soloist Viktoria Mullova; Apr 22

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tillberg. Conducted by Okko Kamu; Apr 24

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
● Orchestra of the Age of Enlightenment: conducted by Sir *Simon Rattle in works by Mozart*, Berlioz and Beethoven. With mezzo-soprano Ann Murray; Apr 22
● The Royal Opera: Parsifal, by Wagner. Concert performance, conducted by Bernard Haitink. The title role is sung by Plácido Domingo; Apr 23

EXHIBITIONS
Barbican Art Gallery
Tel: 44-171-638 8891
Furniture and ends on Sunday
The Art of the Harley: 30 customised motorcycles provide the centrepiece of this display devoted to the 95 year history of the Harley-Davidson company; ends on Sunday

LOS ANGELES

OPERA
L.A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Il Trovatore: by Verdi. Conducted by Gabriele Ferro in a staging by Stephen Lawless. Cast includes Vladimir Bogachov; Apr 25

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181

● Klassische Philharmonie Bonn: conducted by Heribert Beissel in works by Rossini, Chopin and Beethoven; Apr 23
● Königlich Flämische Philharmonie: conducted by Mu Hai Tang in works by Mozart, Brahms and Tchaikovsky. With *violin soloist Julian Rachlin and* pianist Anna Gourari; Apr 25

OPERA
Carl-Orff-Saal, Gasteig
Tel: 49-89-4809 8508
Vision of Lear: by Toshio Hosokawa, with a libretto by Suzuki and Hosokawa. Co-production of the Munich *Biennale* with the Shizuoka Performing Arts Centre; Apr 22

NEW YORK

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Paul Bunyan: by Britten. New production directed by Mark Lamos and conducted by Stewart Robertson; Apr 22, 25

EXHIBITION
New-York Historical Society
Landmarks of New York. A selection of photographs by Barbaralee Diamonstein. Until July 7

PARIS

CONCERT
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Frans Brüggen in works by Haydn and Mozart. With cellist Truls Mork; Apr 22, 23

Théâtre des Champs Elysées
Tel: 33-1-49525050
● Vienna Philharmonic Orchestra: conducted by Zubin Mehta in works by Weber, Mozart and *Mahler. With oboe soloist Martin* Gabriel; Apr 24
● Cecilia Bartoli, recital, with the Orchestre National de France conducted by Charles Dutoit, in works by Rossini and Ravel; Apr 25

ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
Parsifal: by Wagner. Bernard Haitink conducts the Covent Garden production, with a cast including Placido Domingo and John Tomlinson; Apr 26

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Hugo Wolff in works by Mozart and Schumann. With piano soloist Alicia da Larrocha; Apr 22, 23, 24, 25, 26

TOKYO

CONCERT
Bunkamura
Tel: 81-3-3477 9999
New Japan Philharmonic: conducted by Rostropovich in works by Shostakovich. With piano soloist Constantin Lifschitz; *Orchard Hall*; Apr 24

TORONTO

OPERA
Canadian Opera Company, Hummingbird Centre
Tel: 1-416-363 6671
www.coc.ca
Madama Butterfly: by Puccini. Conducted by Maurizio Barbacini in a staging by Brian MacDonald, with sets and costumes by Susan Benson; Apr 22, 25

VIENNA

EXHIBITIONS
Kunstforum der Bank Austria
Tel: 43-1-533 2266
From Monet to Picasso: display of 120 works, starting with French Impressionism and Pointillism, and ranging through the Russian avant-garde and German Modernism to 1945; to Jun 28

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● ***Business/Market Reports:***
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

EDWARD MORTIMER

Unhappy birthday

As Israel prepares its 50th anniversary celebrations, Palestinians are reminded how they were forced to leave their homes

Israel is celebrating its 50th birthday in a characteristic manner: with a full-blooded family quarrel, where personalities, money and ideology all play a part.

Three successive chairmen have resigned from the jubilee committee, followed by their supervising minister who complained of constant interference by the prime minister's staff. The budget has been slashed by 40 per cent. And there is no agreement about what is being celebrated.

The director of the celebrations has ordered the deletion of all images referring to the Oslo peace accords from the official jubilee video clip. A school book published by the education ministry for the jubilee year omits any mention of the murder of Yitzhak Rabin or of the peace process with the Palestinians.

On the other hand Israel TV, defying official pressure, carried on screening a 22-part series on the history of the state, some episodes of which have for the first time confronted Israelis with the Arab side of the story. Israeli democracy is in some ways at its best under a rightwing government, which the intellectual and media establishment is prepared to challenge head on. Under Labour governments the pressure to gloss over embarrassing truths tends to be subtler and more effective.

So Israelis are being reminded that the event they are celebrating next week is also the defining moment in Palestinian history.

Between 1918 and 1948 "Palestinian" was a legal term, defining the inhabitants of the British-ruled territory of Palestine, whether Arab or Jew. But in 1948 Palestinian Jews became Israelis. Palestinian became a programmatic term, defining an Arab people whose homeland had been taken from them.

In 1988 the Palestine Liberation Organisation formally accepted that it would not get all its homeland back. It recognised that Israel exists by right, and that the only solution to the conflict is the one proposed by the United Nations General Assembly back in 1947: partition.

In 1947 the Jews welcomed that proposal while the Arabs, being the majority in Palestine as a whole and narrowly so even in the area proposed for the Jewish state, had rejected it. So war decided the issue. The Jewish state emerged with more of the territory than the UN had promised, but with much less of the Arab population, many of whom had fled.

Today it is the Arabs who accept the two-state solution and the Jews who reject it. But the PLO's abandonment of its claim to the whole of Palestine does not mean individual Palestinians have lost their right to their original homes. Indeed in one sense it actually strengthens that right.

Under UN General Assembly resolution 1947, "the refugees wishing to return to their homes and live at peace with their neighbours should be permitted to do so at the earliest practicable date". But Israel, which at the time of its own admission to the UN promised to co-operate in settling this problem, had a plausible reason for not doing so while the surrounding Arab states, and later the PLO, were at war with it. It argued that returning refugees could hardly be relied on to "live at peace" so long as their political leaders were pledged to remove the Jewish state from the map.

Now, when Israel is negotiating with a Palestinian leadership that has recognised Israel's right to exist, that argument no longer applies. And indeed the refugee problem is one of the issues on the agenda of those "final status" talks that Benjamin Netanyahu, the prime minister, says he is ready to start.

In reality, of course, it is not the issue Mr Netanyahu wishes to discuss. And even with a different Israeli government it would be naive to imagine that many refugees of 1948 vintage, or their heirs, will return to their original homes. Many of those homes were long ago destroyed. Others have been inhabited for two generations by Jewish families.

But if they cannot return, the refugees are at least entitled to expect help in building new homes and lives for themselves in the part of Palestine that the Palestinians, as a people, are allowed to keep. They are entitled to compensation as individuals but the Palestinian economy also needs help if it is to absorb and employ their talents.

This is not a legalistic point. It is crucial to Israel's security. As long as the Palestinian economy festers, with large numbers of people cooped up in refugee camps, there will be no shortage of recruits for terrorist groups, no matter what President Yassir Arafat's police do.

The Palestinians need unimpeded access to the Israeli labour market (which also needs them). They also need access to the outside world (through a port and airport) and the financial help required for the necessary infrastructure.

Israel will no doubt continue receiving military aid from the US for the foreseeable future. Palestinians should not worry about that, since they are no longer seeking to threaten Israel militarily.

But many Israelis and Americans question whether Israel still needs the $1.2bn in US economic aid it receives each year. It is very hard to justify giving that kind of money to a country whose standard of living is higher than that of Spain, and many times that of its Arab neighbours.

It sounds paradoxical, but the best 50th birthday present the US Congress could give Israel might be to transfer at least part of this aid to the Palestinians.

Edward.Mortimer@FT.com

Nothing to celebrate: Palestinians fleeing Israel 50 years ago

LETTERS TO THE EDITOR

Indonesia: no more airy-fairy talk but hearings on IMF policy fiascos

From Prof Steve H. Hanke.

Sir, Your leader of April 15 ("Indonesian hopes") requires clarification. On August 14 1997, Indonesia floated the rupiah. The International Monetary Fund applauded. Unfortunately, the rupiah did not float. It sank.

In an attempt to restore confidence, the Indonesians signed an IMF agreement in October. The IMF moved quickly to close 16 banks in November. This job was botched. It set off a financial panic which further undermined Indonesia's banking system and sent the rupiah to new lows.

On January 15 1998, the Indonesians signed a second IMF agreement. That agreement did not address the underlying causes of Indonesia's financial crisis. Indeed, the agreement was a microeconomic, structural adjustment programme aimed at breaking up crony capitalism.

Before the ink had dried, the markets had sent the rupiah into yet another free fall. This left most of the economy insolvent, inflation and unemployment on the rise and unrest in the streets.

By late January, President Suharto was searching for other means to stabilise the rupiah and the economy. Although his efforts met with unprecedented resistance from the IMF and international officialdom, the markets approved. The prospect of a currency board system sent the rupiah rocketing from Rp16,000 to the dollar to Rp7,500 to the dollar in little more than two weeks.

On February 26, while operating as the president's special counsellor, I presented a comprehensive rupiah stabilisation programme. Its linchpin was the much-maligned currency board system.

Other components included proposals to reschedule external private debt, reform Indonesia's bankruptcy procedures, privatise state-owned enterprises and recapitalise and restructure the banking system. The second IMF programme was retained, too. Mr Suharto embraced this programme and referred to it as IMF-plus.

Initially, the international pressure on Indonesia to implement the second IMF agreement became more intense. But Mr Suharto's dogged embrace of the IMF-plus finally forced the IMF to recognise the inadequacy and failure of its January programme. Five IMF-Indonesian discussion groups were formed to address the components in the IMF-plus programme, and in April a third IMF agreement was signed.

The outline of this agreement is the same as the IMF-plus programme, absent its linchpin, a currency board. It was replaced by a managed exchange rate with an artificial target for the rupiah of Rp6,000 to the dollar.

This rate can be achieved, but only with punishingly high interest rates, rates that cannot be sustained in Indonesia.

This is why the third IMF agreement has little chance of success. Before the US Congress votes to increase IMF funding, it should hold hearings on the IMF policy fiascos in Indonesia. Transparent hearings are the only way to go beyond the airy-fairy talk emitted from last week's IMF-World Bank meetings ("Crystal balls in Washington", April 17) and to get to the bottom of the sorry Indonesian saga.

Steve H. Hanke,
professor of applied economics,
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US

Pol Pot killings that were based on race

From Mr Charles Knutson.

Sir, Regarding Edward Mortimer's editorial "Icons of Evil" (April 17), which argues that Pol Pot's mass killings were based on class, not race, I would like to draw your attention to an excerpt from a New York Times article ("Pol Pot, Brutal Dictator Who Forced Cambodians To Killing Fields, Dies At 73") which ran the same day:

"The Khmer Rouge especially persecuted members of minority ethnic groups – the Chinese, Muslim Chams, Vietnamese and Thais who had lived for generations in the country, and any other foreigners – in an attempt to make one 'pure' Cambodia. Non-Cambodians were forbidden to speak their native languages or to exhibit any 'foreign' traits. The pogrom against the Cham minority was the most devastating – killing more than half of that community."

Based on these facts and the legal definition of "genocide" supplied by Mr Mortimer, there is no doubt in my mind that Pol Pot would have been found guilty of genocide had he been brought to trial.

Charles Knutson,
121 Mac Dougal Street 12,
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US

Tobacco companies know best

From Mr Jonathan Portes.

Sir, Roger Bate ("A myth stubbed out", April 20) argues that banning tobacco advertising would not reduce demand, because tobacco is a mature market and in such markets advertising only affects market share, not the total size of the market. Tobacco companies only advertise because failing to do so would concede the market to competitors.

This sounds like a plausible argument. However, it is clear that the people in the best position to judge whether it is true – the tobacco companies themselves – disagree with it. If they did not, why on earth would they oppose advertising bans?

If Mr Bate is right, tobacco advertising is a zero-sum game. A co-ordinated mechanism – like a ban – that enabled tobacco companies to stop advertising, all together and at the same time, without the risk that other companies would steal market share, would increase the profits of all tobacco companies. Yet I have never seen any indication that any tobacco company in any country supports a total advertising ban.

There are only two possible explanations. The first is that the tobacco companies are deliberately throwing good money away for no reason. The second is that they think – with the benefit of voluminous and thorough research, not to mention the incentive of self-interest – that they know better than Mr Bate what they are buying for the hundreds of millions of dollars they spend on advertising. Which is more plausible?

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When big is not big enough

Canadian banks used to be larger than American ones. **George Graham** and **Edward Alden** ask what they can do now they are being overtaken

Canada is emerging as a classic case of the dilemma between the needs of domestic finance and those of the global capital markets. For decades Canadian banks have looked south with equanimity. Their nationwide branch networks gave them a scale denied to their US competitors, while government restrictions on foreign banks lent them a degree of security at home.

All that is changing. Mergers and consolidation in the US have created a string of powerful competitors. Some, such as the Californian bank Wells Fargo, have already begun to sell into Canada through the internet. Although Canadian banks have extensive networks abroad, particularly in Latin America, they are fearful that newly merged US institutions such as Citigroup may be about to take business from them.

Worse, in the next few months new legislation is expected to allow foreign banks to open branches in Canada. A federal taskforce to examine the future of Canadian financial services is expected to recommend an end to the 10 per cent limit on shareholdings in local banks.

The taskforce is due to report in September. But Canadian bankers have not been willing to wait that long. In January Royal Bank of Canada announced plans to merge with Bank of Montreal to create a bank with 41 per cent of the personal deposit market in Canada and 35 per cent of business lending.

The RBC/Bank of Montreal deal goaded Charles Baillie, chairman and chief executive of Toronto-Dominion Bank, into action. Last week, he announced plans to merge his bank, the smallest of Canada's big five, with Canadian Imperial Bank of Commerce, which ranks just behind RBC in assets, though slightly ahead in market capitalisation.

In the past Canada has been an example of a medium-sized economy that could sustain banks capable of competing on a world scale. (The Netherlands and Switzerland are others.)

Canadian banks: to merge or not to merge

	Total assets (C$bn)	Common shareholders' equity (C$bn)	Net income (C$bn)	Residential mortgages 1997 (% of market)	Business and government loans 1997 (% of market)
Royal Bank	[illegible]	8.6	1.7	23.3	20.3
CIBC	[illegible]	8.7	1.8	17.5	19.1
Bank of Montreal	[illegible]	7.8	1.3	15.5	14.7
Bank of Nova Scotia	[illegible]	7.9	1.5	18.2	13.7
Toronto-Dominion Bank	[illegible]	6.8	1.1	13.3	11.8

Source: [illegible]

For Canada that meant having half a dozen banks. But as consolidation proceeds in the US – and to some extent in Europe – many people fear that the minimum size for a world-class bank will increase sharply.

To stay competitive, Canada might then have to go down to just to or three banks. And that would create both political and regulatory trouble at home. How many banks does the economy need? And how will this affect domestic competition?

Paul Martin, finance minister, is well aware of the dilemma. In a statement last week he said: "International scope and size can't be the only criteria for our decisions on the evolution of Canada's financial sector. Strong domestic competition is also a fundamental principle we support, to ensure accessible and effective services to consumers and businesses and to sustain strong, ongoing job opportunities for Canadians."

Not surprisingly, the decision of whether to approve the mergers is one of the most difficult faced by the Liberal government of Jean Chrétien during its five years in office. Both mergers still have to jump a series of regulatory hurdles, including reviews by the competition authorities, the federal financial supervision office and the provincial securities regulators.

The competition issue in particular could present difficulties. Even in the context of the broad national market, the two combinations will control substantial slices of the market. In many smaller communities the mergers will eliminate all competition.

This is causing some unease among competitors. "I have some old-fashioned views about concentration and I would say five banks is plenty concentrated enough," says John McNeil, chairman and chief executive of Sun Life of Canada, one of the big mutual life companies. "Letting Number One merge with Number Three really upsets the equilibrium in the system."

Bankers retort that big has not been bad for consumers. Far from it. "If you look at the data objectively, Canadians are extremely well served. Service charges are probably half to two-thirds of what they would pay in the US, and interest margins are around 150 basis points lower than they would pay south of the border," points out John Palmer, the government's superintendent of financial institutions.

In any case, bankers say, they have been losing market share to a host of non-bank competitors, ranging from credit unions and leasing companies to supermarkets. Loblaw, the country's biggest food retailer, launched a full-range banking service in February, complete with bonus points redeemable for groceries. "The problem is, banks dominate banking. Banks don't dominate financial services," says Matthew Barrett, chairman of Bank of Montreal.

Arguments over the nature of competition aside, the plain fact is that the fate of the proposed bank mergers will depend on a straightforward political decision by Mr Martin. The banks are not sure which way he will jump.

"The final yea or nay rests with the Canadian minister of finance and does not necessarily rely on the outcome of previous reviews," says Peter Currie, chief financial officer of the Royal Bank of Canada. "If he says nay, neither the Royal Bank nor the Bank of Montreal wants to be in a position where it has disclosed its strategic plans to an ongoing competitor."

Saying nay would certainly win votes. Few countries love their banks, but Canadians hold them in particularly low esteem. "There's a real sense in the community that whatever community focus the banks had will be lost," says Jonathan Guss, chief executive of the Credit Union Central of Canada.

Small businesses, too, resent the banks' handling of their loans during the last recession. The Canadian Federation of Independent Business, which represents about 90,000 small businesses, found that about two-thirds of its members opposed allowing the big banks to merge. They thought that mega-banks would be less willing to lend to small companies.

It might be unpopular with voters to let the proposed mergers go ahead. But can the government simply ignore the consolidation taking place in financial services around the world, particularly over the border in the US?

"It's going to be very difficult for the Canadian government to take the stance that somehow Canada is different," says Kent Wideman, senior vice president at Dominion Bond Rating Service in Toronto.

To Bank of Montreal's Mr Barrett, the problem is as stark for the banks as it was for the small-town retailers who have seen their businesses destroyed by US giants such as Wal-Mart. "I don't want to be one of those local hardware stores sitting there waiting for Home Depot to arrive."

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Addressing the US bubble

In 1987 some of the world's sharpest stock market pundits argued that Tokyo was in the grip of a bubble that was about to burst. In the event it was Wall Street that went into a spin, causing a tremor around the world. Today the chief focus of concern is Japan's deflation-prone economy, the fragility of its financial system and the wider Asian crisis. Yet there are equally worrying and under-remarked risks in the US to which monetary policy must now respond.

The Federal Reserve's decision to keep interest rates on hold in recent months has rightly been coloured by events in Asia. Yet the consequences of this policy are now reflected in a very powerful surge in the growth of broad money. Wage costs have been rising against the background of an unusually tight labour market, while consumer spending has been buoyant.

The banks, amply recapitalised since the recession of the early 1990s, are lending enthusiastically on credit risks of decreasing quality. So while consumer prices are still behaving well, there are characteristic symptoms of end-of-cycle overheating.

The problem for the Fed has been to weigh the strength of domestic demand against the disinflationary impact of events in Asia. If the greater risk is of overheating, then interest rates should rise to pre-empt inflation. If, on the other hand, turmoil in Asia is judged to outweigh the risk of domestic overheating, there is a different problem – namely, a stock market bubble.

Stocks on Wall Street have long been on demanding ratings. What is striking this year is that markets have continued to explore record territory despite the inevitability of a global slowdown and the alarming deterioration in the Japanese economy.

US optimism

There is optimism in the US about the ability of corporate earnings to recover quickly from the squeeze that will come from Asian devaluation. Yet the squeeze has barely started because an acute shortage of trade finance is preventing the troubled Asian tiger economies from exploiting their recent devaluations. And the yen continues to depreciate.

Compelling evidence

The most compelling evidence of a bubble comes from the recent expansion of the Bank of Japan's balance sheet at an annual rate of more than 50 per cent. This massive injection of liquidity has failed to buoy up the Tokyo market or to stimulate bank lending. Instead it has inflated the value of assets elsewhere. At the same time Japanese investors have finally recognised that US and European markets represent outstanding value when compared with low-yielding domestic assets denominated in a currency set for sustained depreciation.

The outcome is that the freakish circumstances of the Japanese financial system are causing asset prices in the west to rise, while the earnings prospects of western companies decline. Meantime the risks of deflation and further competitive devaluations in Asia are increasing. This is unquestionably a bubble.

Asset prices are rarely a direct target of monetary policy. Moreover, Fed chairman Alan Greenspan remarked in a speech last year that history "is somewhat ambiguous on the issue of whether central banks can safely ignore asset markets, except as they affect product prices".

Yet the lessons of the Japanese bubble economy of the 1980s are surely that a failure to restrain a bubble can lead to an excessive accumulation of debt that debilitates the economy and paralyses the financial system. The longer the bubble lasts the greater the financial instability that results.

As after the 1987 stock market crash, today's risk is that policy will stay accommodating for too long. That is not to underestimate Mr Greenspan's difficulties. *Raising rates will strengthen* the dollar and weaken further the external account. It may also expose the leveraged and fragile elements of the financial system. But it is nonetheless time for a pre-emptive strike. The alternative is far more worrying.

Back to Iraq

February's Baghdad agreement between the UN and Iraq was never likely to do more than buy time for the international community to reconsider its attitude to Saddam Hussein before he provoked the next crisis.

The time in question turns out to have been short, for the next crisis is already here. The UN special commission (Unscom) has inspected the "presidential sites" *and found that* all of them had undergone "extensive evacuation". In Unscom's view, "this makes follow-on missions more important". But Iraqi officials refused to sign any document which would imply a continuing right of access for the commission, claiming "that Iraq had agreed only to a process of visits of finite duration". Yet the absence of such a time limit was the precise point on which Kofi Annan insisted in his negotiation with Mr Saddam, with the support of all five members of the UN Security Council.

The Iraqi regime appears determined to go back on that clause of the agreement. On Monday night Tariq Aziz, the deputy prime minister, claimed that the inspection of the sites had proved all allegations false, and resumed the public attacks on Unscom which were a feature of the two previous crises.

Meanwhile the regime has launched a campaign to get sanctions lifted at the end of this month. It probably knows that this will not happen, but hopes for some reward for "good behav-
iour", helped by a report earlier in the month from the International Atomic Energy Agency which said Iraq had successfully compiled a "full, final and com-
plete" account of its past nuclear programmes, and that monitor-
ing since 1997 had revealed no *evidence of* any prohibited nuclear materials or activity.

Humanitarian aid

This week a conference in London, aimed at giving more effective humanitarian aid to Iraq's population under the UN oil-for-food resolutions, was denounced by the Iraqi regime and boycotted by Russia as well as most of Iraq's neighbours. Emma Bonino, European commissioner for humanitarian affairs, chose it as the occasion to call for the abandonment of sanctions because of *their disastrous effect on the* Iraqi population. Many other commentators are coming to the same conclusion.

Horrible suffering

Critics of the sanctions say, rightly, *that they cause horrible* suffering and, probably also rightly, that they are not effective in weakening Mr Saddam's control of the country. Defenders of sanctions say, rightly, that they are not aimed at the civilian population, and that much of the suffering could be avoided if only the regime would co-operate. But if the regime were co-operative, or motivated by concern for the people's welfare, it is unlikely sanctions would have been imposed at all.

More to the point, the sanctions are aimed, not at bringing down the regime but at denying it the resources to repeat its crimes of waging aggressive war and manufacturing weapons of mass destruction. So long as it is in control of the country, that unfortunately means debilitating the whole Iraqi economy. Sanc*tions, it cannot* be repeated too often, are a form of war, and not necessarily the least unpleasant form. They are justified only by the extreme risk the world would run if Mr Saddam were to regain the power he enjoyed in 1990.

Nevertheless, the longer they have *to be maintained, the less* tenable and effective they become. A much greater effort is needed to agree on a policy which would target the regime and spare the people. Those who want sanctions ended should be actively seeking and supporting *policies to hasten Mr Saddam's* demise (such as his indictment for crimes against humanity, and help for his opponents). There should in any case be more effective assistance to those of his victims who are no longer in his grasp – such as the population of Halabja on the Iranian border, still suffering the effects of chemical weapons used against them in 1988.

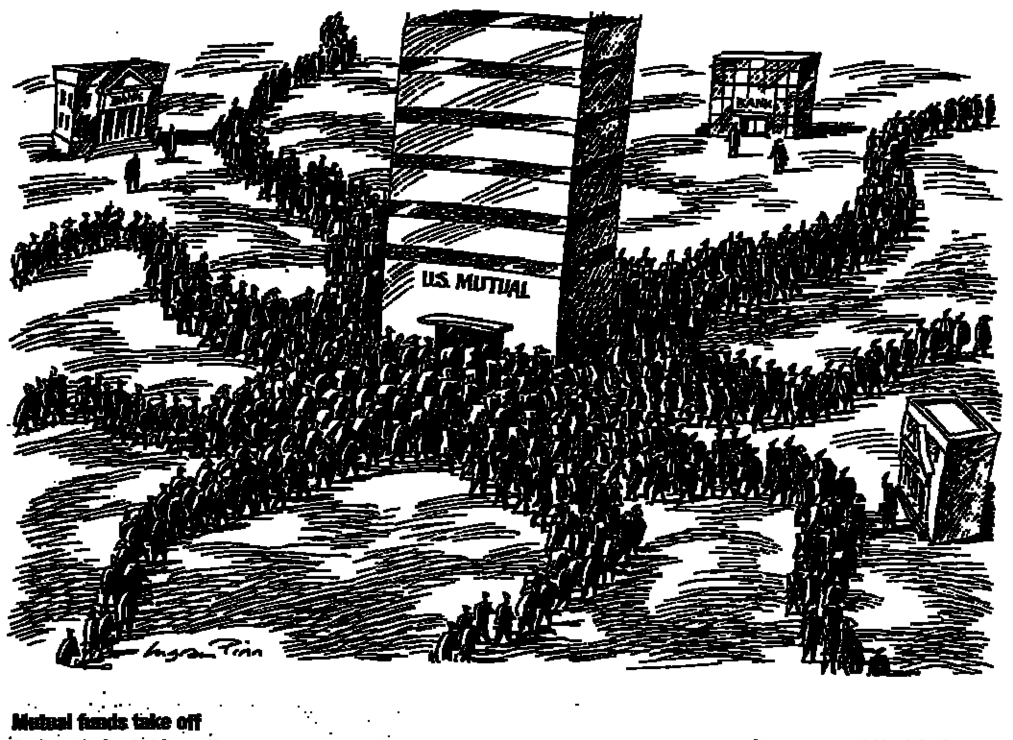
Our mutual revolution

The explosion in mutual funds is transforming the US. One day, says David Hale, it will change the world

The US will soon become the first country to have a mutual fund industry larger than its banking system. This will have huge ramifications. Among the things that will be affected are government revenues, regulation of the financial sector, the impact of wealth effects and popular attitudes to wealth creation.

At the end of 1997, the banking system had $4,700bn (£2,800bn) of assets. The mutual fund industry had $4,560bn. *As the mutual fund* sector is growing at an annual rate of 20 per cent – thanks to new money inflows and stock market appreciation – while banking is growing at 9 per cent, the lines will probably cross sometime around now.

The dramatic expansion of US mutual funds has been both the cause and effect of the US bull market. As recently as 1990, the mutual fund industry had about $1,100bn of assets and only about 25 per cent of its assets were in equity funds. Today, equity funds have about $2,400bn and thus *account for more than half of the* industry's total assets.



The growth of equity mutual funds has resulted from cash inflows and the expansion of stock market capitalisation from $3,000bn in the early 1990s to more than $10,000bn today.

The fixed income sector of the business has grown more slowly but its assets have still tripled since 1990. The number of mutual funds has also increased from 1,100 10 years ago to 5,800 today. There are 60 per cent more mutual funds than companies listed on the New York Stock Exchange.

The emergence of this industry as such a large repository for household wealth is altering the structure of the US financial system and the ways in which it interacts with the real economy.

It has done so in several ways. First, it has expanded household ownership of equities to record levels. Public opinion surveys indicate that about 45 per cent of the American public has exposure to the equity market through mutual funds. That compares with less than 5 per cent in the 1950s. Whereas the stock market was once the domain of wealthy families, about half of families earning $25,000-$50,000 a year now own equities.

The mutual fund boom has encouraged households to increase the equity share of their financial net worth. It is now *above 30 per cent, compared with* 12-14 per cent during the 1980s and a previous peak of about 30 per cent in the late 1960s.

The big difference now is that mutual funds account for nearly one-fifth of household equity assets, compared with only 4 per cent during the 1960s. About one-third of mutual fund assets are also held in the form of "defined contribution retirement savings programmes" such as 401(k) plans and individual retirement accounts.

In 1995, 42m Americans belonged to defined contribution pension plans, compared with 17.5m in 1980. The assets of those plans had risen to $1,300bn from $162bn in that period. The personal savings rate has fluctuated in a range around 4-5 per cent of household income in recent years in spite of the household sector *enjoying a $4,000bn capital gain* on its equity portfolio.

This suggests that the shift to defined contribution plans (controlled by households) from defined benefit plans (provided by companies) has played an important role in restraining consumption and stabilising savings. Defined benefit plans had actuarial targets, which curtailed contributions and savings during bull markets. But savings flows into defined contribution plans are not restrained by rising asset prices.

The mutual fund boom is not just altering the composition of household savings. Its second big effect has been to speed up the securitisation of corporate fund-raising. Initial public offerings rose to a peak of $50bn (865 IPOs) during 1996 from a previous high of $34bn in 1993 (660 IPOs); they declined only modestly last year. There was more than $1,000bn of bond offerings in 1997 for the first time in US history. As a result of their large appetite for debt and equity, mutual funds own more than 22 per cent of all US publicly corporate equity and 40 per cent of non-investment grade (junk) bonds.

Third, the growth of the mutual fund industry has caused Wall Street to refocus its efforts on retail investors. In 1997, for example, Morgan Stanley, a blue-chip investment bank, *merged with Dean Witter*, a brokerage house focused on small investors. An even bigger example has just occured: Citicorp has announced plans to merge with Travelers in a combination that could produce a retail and institutional powerhouse.

Fourth, the mutual fund boom is contributing to a surge of income tax receipts. This could produce a $50bn-$100bn budget surplus this fiscal year. The sector realised capital gains of more than $184bn in 1997 compared with $101bn in 1996 and an aver*age of only $28bn a year between* 1990 and 1995. Its dividend and interest income also rose to $128.7bn during 1996 – more than twice the level in 1990.

The surge in tax receipts resulting from the equity boom has been so great that it could become self-reinforcing by encouraging Congress to accept plans to privatise the social security system (that is, pensions pro*vision). In 1994, the Clinton* administration's taskforce on *social* security had offered a variety of proposals for introducing universal retirement savings comparable to 401(k) plans and individual retirement accounts. The administration itself had not been enthusiastic at the time because of concerns that they would require large tax rises or transitional increases in the federal budget deficit.

The expansion of the US mutual fund industry has been a cause and an effect of the US *bull* market

But with stock market capital gains about to produce a budget surplus exceeding $50bn, it is not *difficult to imagine the debate* about social security reform hotting up. There is support for social security privatisation on Capitol Hill and Bill Clinton, the president, could embrace the idea if he thought it would sustain the stock market boom, which has protected his popularity ratings from other distractions.

Wall Street is so highly valued that it is difficult to imagine how any policy change could push it higher. But the introduction of universal personal savings accounts for retirement would have several positive implications for equity prices.

First, it would create a new source of cash flow for investment in the stock market. Second, it would make stock ownership so universal that every member of Congress would become more sensitive to how *changes in economic policy* affected equity values. Finally, the resulting rise in equity prices would further magnify the size of the federal budget surplus and thus lessen the need to raise taxes or borrow to finance social security privatisation.

What remains to be seen is how the US government will adjust its financial regulatory agencies to cope with the tremendous upheavals in the country's system of financial intermediation. The federal government employs more than 40,000 people to supervise the banking system and just 200 to monitor the mutual fund industry.

The government regulates banks carefully because of deposit insurance. Its primary goal in the mutual sector fund is to ensure adequate disclosure of information while allowing the industry to regulate itself.

That may soon change. The dramatic growth in the number of people with defined contribution pension plans will probably attract congressional scrutiny when Wall Street finally experiences a correction.

Congress will probably focus on whether the public understands how to make investment decisions for its retirement savings and whether mutual fund boards have the professional competence to supervise the fund managers under their *jurisdiction.*

As a result of the narrow concentration of stock market leadership in large capitalisation global blue chips, about 90 per cent of mutual funds have underperformed the market during the past 18 months. However, the public did not care because most funds nevertheless delivered double-digit returns.

The public will be less tolerant if there are bear markets on a scale comparable to those that occurred during the 1970s and 1980s, when high interest rates produced price declines as large *as 50 per cent over two years.*

The US is unique among the principal industrial nations in having such a large mutual fund sector. Europe has only about $1,500bn in its mutual funds and equities account for less than 25 per cent of assets in every country except for the UK.

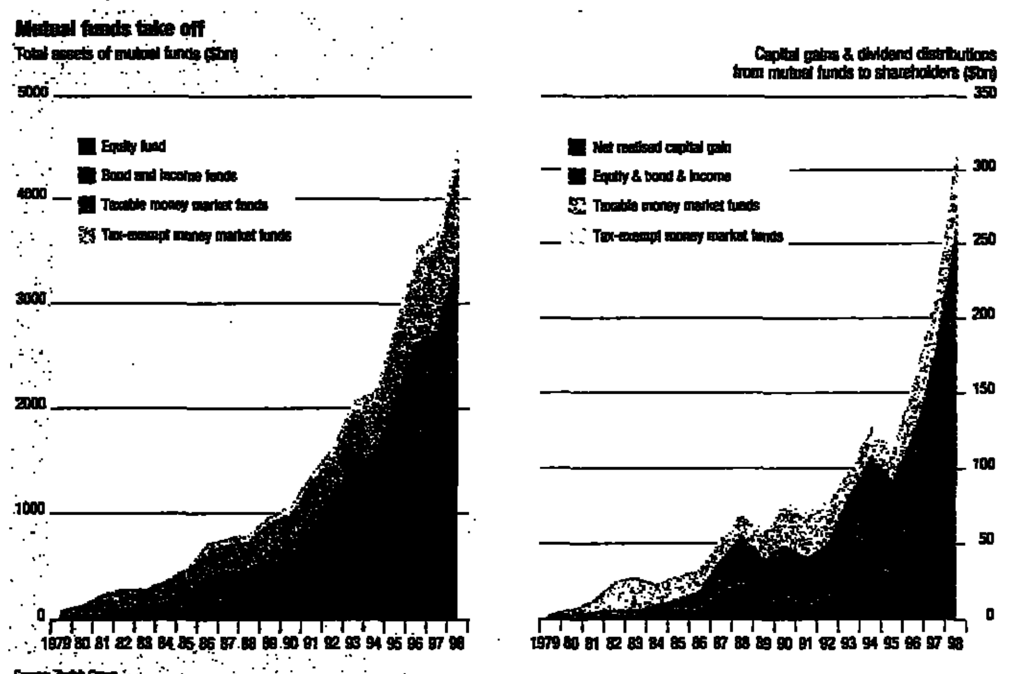
But as a result of low interest rates, savings flows into the European mutual fund were nearly as large as America's during 1997. In the case of Italy, the inflows were equal to 7 per cent of gross domestic product compared with 3.4 per cent in the US.

Although the size of the US mutual fund industry is unique, it is probably only the first stage of a global financial services revolution that will be duplicated elsewhere because of the plans by several countries to introduce defined contribution retirement *savings programmes.*

Until recently, only a few countries had large pension fund sectors with exposure to assets other than government debt. But the success of Chile in increasing its savings rate through the introduction of universal retirement savings accounts invested in privately managed funds is encouraging countries as diverse as Mexico, China and Zimbabwe to move in a similar direction.

As a result, the current global bull market in equities is not just a reflection of strong corporate profits and low inflation. It could also be the first stage of a global financial revolution. Both industrial and developing countries are establishing universal programmes for retirement savings that will channel household wealth into private debt and equity markets on a scale with*out precedent in history.* This will expand the world's population of shareowners from less than 100m in 1989 to more than 1bn by 2010. They will do for the world next century what they are doing for the US now.

The author is chief economist with Zurich Group in Chicago



Source: Zurich Group

OBSERVER

Metal gurus

This week's Hanover Trade Fair – one of the world's premier engineering beanfeasts – may look like a German industrialist's notion of paradise. But among the latest valve technology, the mood among the hosts is about as bright and breezy as a marine diesel turbine: the wilting D-Mark may be helping exports, but the domestic economy is as flat as a cogwheel.

The mood hasn't been improved by the prospect of the autumn's *national elections: for all his* perceived faults, the stolid types admiring the latest valve technology want to see Chancellor Helmut Kohl become the first occupant of the new presidential palace in Berlin, whenever it's ready.

Sounding a bit like a stuck record – but being warmly applauded all the same – Hans-Olaf Henkel, the ruddy-faced, outspoken chief of the German industry association BDI, had a pop at the taxing tendencies of the Social Democrats, who are ahead *in the polls.*

It doesn't look as if silver-tongued smoothie Gerhard Schröder, Kohl's Social Democrat challenger who has been charming the voters, has dented the bosses' doubts. They don't deny his modernising credentials – some people in Germany are drawing British parallels, referring to him as Tony Schröder or Gerhard Blair – *but are waiting anxiously* to see whether he can bring his party into line behind him. They fear that the tough medicine he is prescribing will be too much for the traditionalist old guard – like party leader Oskar Lafontaine – to swallow.

The metalbashers have had a few gripes about the Christian Democrat-led coalition over the last few years, but for now the critics are about as noisy as a well-oiled lathe.

Musical lobbying

Competition among Canada's long-distance telephone companies is fierce and getting fiercer. Many observers expect a flurry of takeover battles.

At such times, the media is in demand, and invitations are duly arriving on the nation's newsdesks. *Call-Net, majority owner of Sprint* Canada, has invited reporters to a Rolling Stones concert in Toronto, while AT&T Canada has proposed a less frenzied gathering at the opera.

But traditional values survive at BCE, the parent company of Bell Canada. *Requests for interviews* with executives at Canada's largest telecommunications group are met with a terse – but reassuringly familiar – "No comment".

In the bank

Eugene Ludwig is to be among friends at last. As US Comptroller of the Currency for five years – his *term ended this month – he fought* a lonely battle in Washington to break down regulatory barriers and stood up for the rights of banks to get into new types of business.

Now he's off to be vice-chairman of Bankers Trust, the money-centre bank which turned itself into an investment banking and securities firm.

It's hard to believe that bankers initially viewed Ludwig with suspicion: he made a real nuisance of himself enforcing legislation designed to prevent discrimination by banks in inner cities. In the end it was the politicians, not the *bankers, who found Ludwig's* reforming zeal – and his enthusiasm for pushing his office's power to the limit – hard to swallow.

Hard to Reed

Enigmatic Citicorp chief executive John Reed didn't have it all his own way yesterday at the last annual meeting of the bank he's leading into the megamerger with Travelers Group. Like everyone else, shareholders wondered how Reed and Travelers' Sandy Weill *can possibly share power in the* amicable way they apparently have in mind.

Shareholder Evelyn Davis had some ideas for the 59-year-old Reed: he would be "great as president of MIT" – his *alma mater* – or a "dashing ambassador to Argentina".

This career advice was offered because, she said, "Sandy Weill, *whether you like it or not, is going* to run this show". Wonder what Weill thinks.

Back of the net

World Cup mania is reaching out to China: from today, coverage, quizzes and factoids about the football jamboree in France will pop up on the China Internet Corporation, which is a sort of sanitised, non-controversial information highway.

There's a big launch – featuring a couple of former British professional footballers, one of *whom apparently once played a* game for Tottenham Hotspur – of the web site bringing the finals to the world's most populous country, or at least to those who can get somewhere near a computer.

CIC is looking for a million hits by the end of the week – at least it *should manage a better strike rate* than the national team, which isn't going to France. It overcame the might of Tajikistan, Turkmenistan and Vietnam, but Saudi Arabia and Iran proved just too strong.

Cup tied

Yesterday's deal on the future of New Caledonia, the French South Pacific territory, appears to leave some important details unresolved: French overseas minister Jean-Jack Queyranne had to admit that he didn't know when the island nation would be allowed to start entering the World Cup. No need for Brazil to worry, yet.

The Financial Times

100 years ago

A Reluctant American
Among the members of the [London] Stock Exchange there is an overwhelming majority hostile to the pretensions of the United States in the present Cuban crisis, and the few who are natives of the great Republic are keen as a rule to keep the fact quiet. Yesterday in the House [exchange] a group was discussing the question when one of these gentlemen came up, and someone said: "By the way, you're an American, aren't you?" "Oh, no, I was born in England." "*But you speak with a* strong American accent." "Well, I've been in the States a great deal." He added triumphantly: "I've been across the Atlantic 37 times," but realised when a roar of laughter greeted this statement that the odd number had given him away. *It showed* that he must have started his journeying from the other side of the Atlantic.

50 years ago

Car Export Lead
Britain is the world's largest car exporting nation at the moment, our exports exceeding even those of the vast American motor industry, an even not recorded for at least 25 years. British manufacturers have exceeded their export target of 75 per cent of car output.

FINANCIAL TIMES
WEDNESDAY APRIL 22 1998

THE LEX COLUMN

Purchase on the Pentagon

Tracor is not the big one. But Lord Simpson could hardly have found a better fit for his first sizeable acquisition since taking the helm at General Electric Company. The $1.4bn purchase of the Texas-based group, two-thirds traditional defence hardware and one-third whizzy battlefield software, takes GEC further into the US, further into systems integration and closer to the Pentagon.

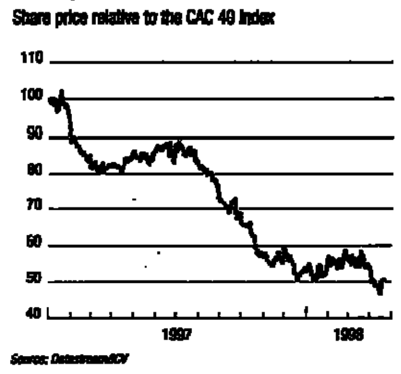
All three aspects are important. Tracor will turn GEC into the sixth largest US defence electronics company. That should allow it to keep up with the US's technological lead in defence equipment and make it a more attractive local partner – or, as GEC puts it, add "lustre to its cluster". The fastest-growing part of Tracor, itself one of the fastest-growing US defence companies, is its "digital battlefield" software, which allows generals to co-ordinate their aircraft, ships and satellites. Added to GEC-Marconi's electronic know-how, it gives the enlarged group a systems capability on a par with Lockheed and Boeing. And the price, 1.1 times revenues and 10 times last year's earnings before interest, tax and depreciation, is at the lower end of similar recent deals.

Most importantly, GEC is signalling its serious intent to the US government, laying the ground for a possible bid for Northrop Grumman, if the latter's merger with Lockheed is blocked. More likely, the Pentagon will force Lockheed to divest Northrop's radar and electronic warfare businesses – the bits GEC is most interested in. The Tracor purchase also sends a wake-up call to France and Germany: Lord Simpson will not sit on his hands while the Europeans dawdle on the need for consolidation.

LVMH/DFS

It is easy to see DFS's footdragging over payments as the latest sign of trouble at the duty free retailer brought low by the Asian crisis. The more it appears to struggle, the more salt is rubbed into the wound inflicted on LVMH, the French luxury goods group which bought a 61 per cent stake for $2.5bn in late 1996, before the bubble burst. But there are grains of comfort. Aggressive tackling of DFS's costs and working capital is exactly what is called for. The signs are that it is on target to achieve annualised savings of

LVMH
Share price relative to the CAC 40 Index



Source: Datastream/ICV

$200m, and that it will make a net profit contribution in the first half – above the worst case scenario. As DFS made operating profits of about $340m in 1996, its recovery is crucial to LVMH. But that depends on Japanese tourist spending.

Meanwhile, the profits plunge should galvanise management not only within DFS, but elsewhere in LVMH to limit the damage. A rebound in profits from perfume and cosmetics would be a good demonstration of this. At least the group has the undivided attention of chairman Bernard Arnault, who spent part of last year horse trading with the merging Guinness and Grand Metropolitan.

Despite a 50 per cent underperformance of the French market since the start of 1997, LVMH is only on a small price-earnings discount to it. With a target of increasing operating profits by 45 per cent between 1997 and 2000, the recovery potential looks real, but hardly imminent.

Sterling

Sterling's strength was never wholly "made in UK". Strong growth and rising interest rates were key elements, but so was the mirror image on the continent – struggling economies, rock-bottom interest rates and high unemployment. It was only a matter of time before the balance shifted. Sterling's fall below DM3 is evidence this process has begun. The catalyst was simple enough – realisation that European growth was gaining momentum. Look no further than yesterday's Spanish industrial production figures – up 11.8 per cent in the year to February. No wonder futures markets have started to price in higher European interest rates.

With D-Day for economic and monetary union only 10 days away, investors are also focusing again on the euro's credentials. They have been pleasantly surprised. True, unemployment remains a blight, but strong reserves, a big current account surplus, a hawkish central bank – this is not the stuff of weak currencies. But that does not spell a rout for sterling either. After all, four members of the UK's monetary policy committee still favour higher interest rates. And while the pound has probably peaked against the D-Mark, it still looks in good shape against the dollar.

Rank Group

Rank's investors will not be happy campers after yesterday's news which left them nursing a 5 per cent fall in their shares. But they would be right to be patient. There were no howlers in the company's first quarter trading statement. So, the company will no longer be able to capitalise interest on a US theme park when it opens next year. But that should hardly have come as a big surprise, even though it may lead to modest profit downgrades.

What was missing was a sign that the investment poured into the Hard Rock Cafes and Butlins will translate into robust like-for-like growth. Clearer evidence should emerge after the company's far more significant third quarter trading.

Andrew Teare, chief executive, has bet his credibility on waking up this lumbering giant. He is taking Hard Rock back to its roots with compilation albums and live gigs. Butlins is being dragged as upmarket as Skegness can ever get. The strategy is not expected to deliver immediately, and there are challenges: with sterling still strong, campers are heading to the Continent. And competition is keeping pressure on Hard Rock's merchandising margins.

Rank's management is right to invest in its brands. So far, its ideas are not obviously wrong-headed. But investors should watch like hawks that the company keeps to its 15 per cent return on investment target. The time to judge that will be in the 1998 figures.

Senate may block $6.3bn US climate control plan

By Leyla Boulton, Environment Correspondent

President Bill Clinton is unlikely to secure the $6.3bn he has sought from Congress to fund a US package to lead a global fight against climate change, according to an administration document and US officials.

Details of the internal document, made available to the Financial Times, show plans drawn up by the Senate do not allow for funding a programme to promote new technologies reducing greenhouse gases linked to global warming.

The failure of the plans to provide tax incentives and subsidies for more efficient fossil fuel use and renewable energy sources would almost certainly spark fierce protests around the world.

According to the document, the White House's Office of Management and Budget has concluded it is "safe to assume that the Senate resolution does not provide the necessary support for this important initiative". It says the Senate's response to Mr Clinton's budget plans would not allow the government to fund the package "without seriously jeopardising other critical programmes".

The House of Representatives, which like the Senate has already expressed hostility to the international greenhouse gas emission curbs negotiated last December in Kyoto, will come up with its own budget blueprint for 1999. The final budget will be negotiated with the White House.

The package is seen by the White House as essential for reducing US emissions cost-effectively and for securing concerted international action.

"This makes our life miserable," said one administration official of the Senate's current stance. "It means that our efforts to advance domestically will slow down to the point where attempts to advance internationally are going to be that much more difficult."

Anna Lindh, Sweden's environment minister, said that any failure by Congress to release the funds would be "alarming". "If the rest of the world is to take this problem seriously, it is very important that the US, the biggest emitter, should take it seriously," she said.

Joe Romm, a senior Department of Energy official, said the programme was the most cost-effective method for the US, the world's single biggest source of greenhouse gases, to meet its own 7 per cent emissions reductions target, agreed at Kyoto.

The programme is also necessary to convince fast-growing developing nations such as China and India to take action of their own. This in turn is a condition for the Senate to ratify the Kyoto treaty, which committed only developed countries to legally binding targets for reducing emissions by 2010.

Mr Romm, whose department would distribute the subsidy part of any package, still expressed hope that Mr Clinton and Vice-President Al Gore would manage to salvage a large part of the programme in the end-game of budget negotiations later this year.

Other officials said, however, that the department was being naive. "I would be surprised if we get even half the money," said one. Mr Clinton's criticism of the Senate resolution focused on important priorities such as Medicare and education.

Shell quits lobby, Page 5

Krauss-Maffei group wins $5bn battlefield taxi contract

By Lucy Smy in Bonn and Alexander Nicoll in London

A consortium of European companies led by Krauss-Maffei of Germany has won a $5bn contract to build a European armoured personnel carrier nicknamed the battlefield taxi.

Germany, Britain, France and the Netherlands are set to announce today that they will buy 5,000 to 6,000 of the multi-role armoured vehicles from the consortium over the next decade in one of the biggest European joint procurement orders.

German officials, who are managing the project on behalf of the partner countries, said they were confident of strong export potential for the vehicle.

The winning consortium groups German companies Krauss-Maffei, a subsidiary of Mannesmann, MaK, part of the Rheinmetall group, and Wegmann with GKN of Britain and Giat, the state-owned French armaments maker. Their design for an eight-wheeled vehicle, which will be able to carry 11 soldiers, beat competition from another consortium involving Vickers and Alvis of the UK, Henschel of Germany and Panhard & Levassor of France.

Today's announcement is likely to trigger consolidation of the overcrowded armoured vehicle segment of the European defence industry, which will have no other orders of comparable size for some years.

German government officials acknowledged that the order would give Krauss-Maffei a dominant position.

It will be a blow for Vickers, which had planned to focus more on its defence interests while selling its Rolls-Royce Motor Cars subsidiary and its medical equipment division. However, Alvis, its fellow consortium member, said it did not expect the loss of the contract to have a significant effect on its prospects.

The consortium will initially supply 200 vehicles each to Germany, France and the UK, with a total project cost of about DM1.6bn ($870m). After 2004, officials expect the German army to order another 3,000 vehicles, with the UK ordering 1,500, France 600 and the Netherlands expected to order 600 to 800.

The project has attracted some scepticism because the procurement process has not involved building a prototype. Governments have relied instead on designs.

However, German officials shrugged off questions about the capabilities of the vehicle, insisting the quality of the companies involved in the consortium ensured the vehicle would work. "If a wheel is from Mercedes, it will turn," said one official.

The modular design of the vehicle is aimed to give multiple roles on the battlefield, with European armies increasingly needing flexible utility vehicles they can use both in peacekeeping and in rapid deployment to the world's crisis points. The role of heavier tanks with tracks has correspondingly diminished.

CONTENTS

Harley-Davidson's takeover of Buell Motorcycle is just one sign of a revival in America's once-moribund motorcycle industry. Page 8

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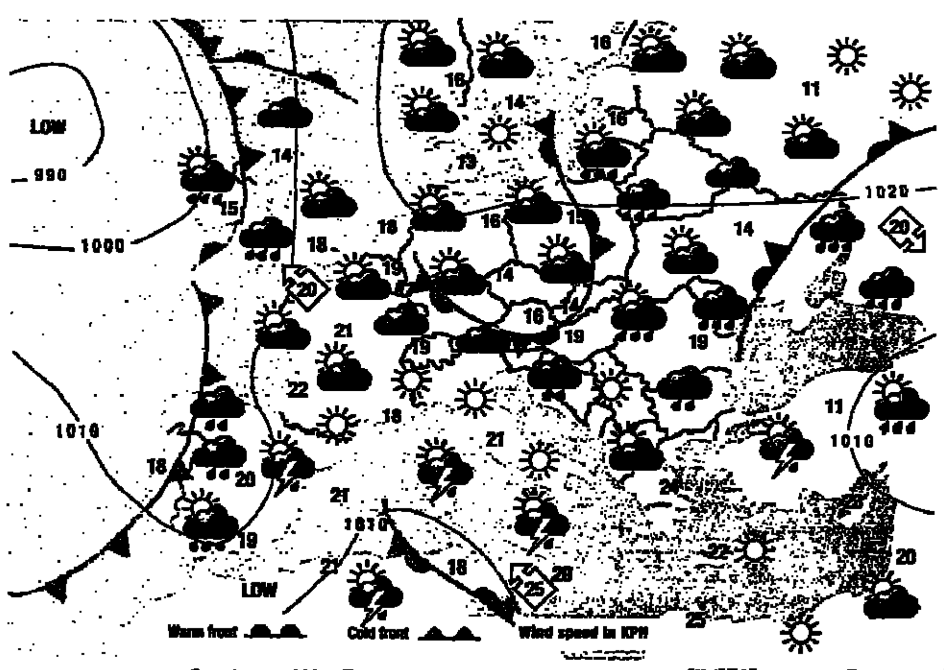
FT WEATHER GUIDE

Europe today

Scandinavia and northern Russia will be dry with plenty of sun. The Baltic countries through to the Black Sea will be unsettled with rain and the odd thunderstorm. Most of central Europe will be dry and warm with good sunny spells but showers may linger in the east and over the Alps. Western Europe will become increasingly cloudy with thunderstorms spreading from the west but eastern areas should stay dry with sunny spells. The Mediterranean will be warm with sunshine in the east, but there will be storms in the west.

Five-day forecast

Western and central Europe and Scandinavia will become increasingly unsettled with outbreaks of rain or thunderstorms, but it will be generally warm. Eastern Europe will become dry, settled and warmer but thundery rain will edge into western areas by early next week. The eastern Mediterranean will stay warm and sunny.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	39
Accra	Fair	34
Algiers	Shower	21
Amsterdam	Fair	18
Athens	Sunny	24
Atlanta	Rain	18
B. Aires	Fair	21
B.ham	Fair	16
Bangkok	Fair	36
Barcelona	Rain	20
Beijing	Shower	28
Belfast	Rain	13
Belgrade	Shower	19
Berlin	Fair	16
Bermuda	Cloudy	24
Bogota	Shower	20
Bombay	Sun	33
Brussels	Fair	19
Budapest	Thunder	19
C.hagen	Sunny	13
Cairo	Fair	24
Caracas	Fair	30
Cardiff	Shower	14
Casablanca	Shower	20
Chicago	Fair	18
Cologne	Sun	15
Dakar	Sun	25
Dallas	Sun	24
Delhi	Sun	40
Dubai	Sun	39
Dublin	Cloudy	15
Dubrovnik	Fair	19
Edinburgh	Rain	15
Faro	Shower	20
Frankfurt	Sun	16
Geneva	Fair	19
Gibraltar	Shower	20
Glasgow	Rain	14
Hamburg	Fair	15
Helsinki	Fair	18
Hong Kong	Shower	28
Honolulu	Fair	29
Istanbul	Shower	15
Jakarta	Shower	32
Jersey	Fair	15
Johannesburg	Sun	24
Karachi	Sun	37
Kuwait	Sun	34
L. Angeles	Sun	23
Las Palmas	Fair	24
Lima	Fair	28
Lisbon	Shower	18
London	Fair	18
Lux.bourg	Fair	17
Lyon	Fair	21
Madeira	Fair	21
Madrid	Rain	20
Majorca	Rain	21
Malta	Thunder	20
Manchester	Rain	16
Manila	Sunny	33
Melbourne	Shower	18
Mexico City	Fair	26
Miami	Shower	28
Milan	Fair	22
Montreal	Sunny	18
Moscow	Fair	11
Munich	Fair	16
Nairobi	Shower	26
Naples	Sun	22
Nassau	Fair	30
New York	Fair	19
Nice	Fair	20
Nicosia	Fair	23
Oslo	Fair	16
Paris	Fair	21
Perth	Shower	25
Prague	Shower	14
Rangoon	Shower	35
Reykjavik	Rain	9
Rio	Cloudy	27
Rome	Fair	21
S. Frsco	Fair	20
Seoul	Fair	24
Singapore	Thunder	33
Stockholm	Fair	14
Strasbourg	Fair	19
Sydney	Shower	23
Tangier	Rain	20
Tel Aviv	Fair	20
Tokyo	Fair	23
Toronto	Sunny	19
Vancouver	Rain	16
Venice	Sun	19
Vienna	Shower	16
Warsaw	Shower	15
Washington	Fair	21
Wellington	Fair	17
Winnipeg	Cloudy	23
Zurich	Fair	18

هكذا من الأصل

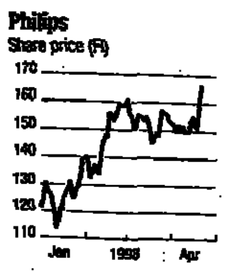
FINANCIAL TIMES

COMPANIES & MARKETS

WEDNESDAY APRIL 22 1998 Week 17

INSIDE

Philips shares rise 10% in two days



Philips, the Dutch electronics giant, gained ground on the AEX index in Amsterdam. The shares rose Fl 8.20 to Fl 167 for a two-day advance of more than 10 per cent in anticipation of a strong set of results when the group unveils first-quarter figures today. It may also report news of a further reorganisation. The AEX finished the day up 6.56 points at 1,187.97. Europe report, Page 40

Akzo move paints new global picture

The race for global domination of the paints sector is speeding up, and the gap between the leaders and the rest is widening. After buying Courtaulds, in a £1.8bn ($3bn) agreed bid this week, Akzo Nobel will produce 1.2bn litres of paint a year. Almost 20 years of consolidation and internationalisation of what were once national markets has changed the face of the industry. Page 26

Tenneco beats estimates with $75m

Strong automotive original equipment sales growth in North America and Europe, coupled with a rebound in its packaging division, led to Tenneco outstripping analysts' estimates for the first quarter, and reporting profits of $75m after tax – up from $53m a year earlier. Page 20

Convergence talk hits bond prices

Speculation of a shift towards convergence in European interest rates and continuing profit-taking on Wall Street sent prices drifting further downwards. US Treasuries came under pressure from the falling value of the dollar. Further, a Federal Reserve board governor made some bearish comments, warning that the Fed would have to make a move unless the Asian crisis slowed US economic growth. Government bonds, Page 28

Cut-price imports hurting Baosteel

Baosteel, one of China's largest and historically most profitable steelmakers, is being threatened by the collapse of exports to South Korea and a surge in cut-price imports from elsewhere in Asia. The company saw profits slide 37 per cent last year as slowing domestic demand conspired with growing oversupply to depress prices. Page 22

Phibro sells cocoa to Callebaut

The price of cocoa jumped sharply after Barry Callebaut, the leading cocoa processor and producer of industrial chocolate, bought a big part of the European cocoa stocks of Phibro Commodities. The benchmark July cocoa contract closed at £1,080, up £27 from Monday's close. Page 28

Philip Morris lifts US market share

Philip Morris has more than half of all cigarette sales in the US for the first time, the company reported. This follows a marketing skirmish among tobacco groups, partly spurred by the negotiations over a sector-wide settlement that would start advertising restrictions. Page 21

COMPANIES IN THIS ISSUE

CROSSWORD, Page 30

MARKET STATISTICS

GEC to take over Tracor in $1.4bn defence deal

By Alexander Nicoll, Defence Correspondent

General Electric Company of the UK yesterday announced a significant expansion of its US defence interests through the $1.4bn agreed takeover of Tracor, a defence electronics company based in Austin, Texas.

The acquisition, subject to US regulatory approval, would be the first big purchase by GEC since Lord Simpson, managing director, announced a strategy to reduce the group's dependence on joint ventures and to grow in electronics.

Lord Simpson said there would be further purchases, and revealed his interest in Northrop Grumman, the US aerospace and electronics group. Washington is seeking to block the planned takeover of Northrop by Lockheed Martin on competition grounds, but US courts are unlikely to rule on the matter until the end of the year.

"We are very interested in what is happening there, because it is our kind of business," Lord Simpson said. "We are in communication with them and we stand by to enter discussions."

A combination of Tracor and the US interests of GEC-Marconi, the group's defence arm, would be the sixth largest US defence electronics business, with 17,000 employees and 1997 revenues of $2.3bn.

Tracor would be the latest in a series of US defence companies to be acquired in a rapid consolidation that has seen takeovers worth $62bn in five years. GEC is also involved in moves to consolidate Europe's industry; GEC-Marconi is close to an agreement on pooling some missile and electronics interests with Alenia of Italy and is believed to be interested in an alliance with Thomson CSF of France.

Lord Simpson said, however, that GEC would "carve out its own destiny" without waiting for France to permit Europe-wide restructuring of the industry by privatising its extensive holdings.

GEC, which had net cash of £1bn at the end of March 1997, has since made disposals and is floating off part of its GEC Alsthom joint venture. "GEC's firepower remains very substantial," Lord Simpson said.

GEC is offering $40 per share in cash for Tracor, which had 1997 operating profits of $102m on revenues of $1.26bn. It had an order book of $1.3bn at the end of the year. GEC estimates goodwill at $1.1bn.

GEC's shares rose 14½p to £4.58.

Lex, Page 16
London stocks, Page 36

Bull markets help Citicorp stay ahead of Asia crisis

By John Authers and John Labate in New York

Bull markets in North America and Europe helped Citicorp, the US bank planning a $170bn merger with Travelers Group, to overcome a sharp fall in income from its big Asian consumer banking operations in the first quarter.

Both Citicorp and Chase Manhattan, the two US banks with the largest exposures to Asia, announced yesterday that strong global trading revenues had enabled them to withstand the impact of the Asian currency crisis.

The news came as John Reed, Citicorp's chief executive, strongly reinforced his commitment to the merger with Travelers. It has come under criticism in the last week after initially being very well received.

Citicorp's net income for the quarter was $1.065bn, up 7 per cent on the equivalent quarter of last year. Earnings per share increased 11 per cent to $2.23.

Income from consumer banking in emerging markets, an area where the bank has invested heavily in the last few years, fell $83m compared to the equivalent quarter of 1997 to $164m. This reflected economic conditions and weakened currencies in the Asia Pacific region.

Revenue from global corporate banking rose $384m, or 20 per cent, over the same period, driven by strong activity in rising western markets. Net income from corporate banking rose by 16 per cent to $753m. Corporate banking for emerging markets saw profits rise 11 per cent to $499m, with the operating margin growing by 28 per cent.

Speaking at the bank's annual shareholder meeting, Mr Reedsaid the merger with Travelers would hinge on opportunities to cross-sell products at both consumer and corporate level. Some commentators have said this will be hard to achieve. Mr Reed insisted: "The promise, and opportunity, is to build a global, branded offering that will give the customer superior quality, ubiquitous presence and convenience at significantly improved cost."

Diane Glossman, banking analyst at Lehman Brothers, said: "Market-related revenues mean that the Asian impact is quite limited. It isn't a zero impact, but the value of having a broad franchise comes home to roost in a quarter like this."

Net income from all global consumer businesses, including North America, Europe and Japan, declined to $458m from $493m in the equivalent quarter of last year. This was an increase of $7m on the final quarter of last year.

Citicorp shares gained moderately in morning trading, up $1⅞ at $159⅞.

Observer, Page 15
US bank results, Page 21

Citicorp's chief executive John Reed (right) and Travelers' Sanford Weill

Japan's carmakers slash production as domestic sales fall

By Paul Abrahams in Tokyo

Japan's top carmakers cut production sharply last month in the face of a continuing collapse in domestic demand and slowing export growth.

The data underlined the difficulties facing the Japanese automotive industry, providing no glimmer of hope that local demand might be improving.

"It looks like sales are spiralling downwards and it's unclear when they will stop falling," said Peter Boardman, automotive analyst at SBC Warburg in Tokyo. He expected the industry's production to fall year on year by 14 per cent this month and 18 per cent in May.

The steel industry, with much of its output going to the automotive industry, also predicted its production this quarter would be the lowest for 27 years.

Toyota, the biggest Japanese assembler, said its domestic vehicle registrations fell 21 per cent in March compared with the same month last year. Exports rose 10.9 per cent, while domestic production was cut 15.8 per cent to 255,720 vehicles.

Toyota is building 12,300 vehicles a day, at an annualised rate of about 3.15m units. Mr Boardman said that if annual production fell below 3m, the company would fall into loss. "Then Toyota will have to decide if the downturn is structural or just cyclical. If it's structural they will have to look at cutting models, closing factories, and laying people off," he said.

Nissan, which issued a profits warning earlier this month, said that in March domestic sales fell 20.3 per cent and exports were 17.9 per cent lower.

Its domestic production was cut 15 per cent to 150,780 vehicles. Nissan's stock was the most heavily traded on the Tokyo market, and closed down Y35 at Y467.

Mazda, which is controlled by Ford of the US, said domestic sales fell 16.3 per cent while exports rose 11.8 per cent. Production fell 3.7 per cent to 81,371 units.

Mitsubishi Motors reported domestic sales down 24.5 per cent, exports up 10.1 per cent and domestic production down 22.2 per cent at 102,512 units.

Only Honda bucked the trend. It said March domestic sales fell 7.7 per cent – compared with 20.7 per cent for the whole market – while exports increased 11.8 per cent.

Millennium 'bomb' helps profits at SAP increase 72%

By Graham Bowley in Frankfurt

SAP, the rapidly-growing German business software group, yesterday reported another big increase in profits but warned of slower growth in the second half of this year.

Shares in SAP, which had already jumped 64 per cent this year, rose DM1.85 to close at DM940.3 ($516.6) after it announced pre-tax profits increased 72 per cent to DM311m in the first quarter, beating analysts' expectations. SAP last week reported sales increased 63 per cent to DM1.68bn in the first quarter.

The software group, based in Walldorf, southern Germany, has become the market leader in the fast expanding market for enterprise resource planning software.

SAP has become one of the four biggest German companies in terms of market capitalisation. It has enjoyed strong demand from businesses preparing computers for the millennium "bomb" and the European single currency. But SAP said growth was expected to slow in the second half of this year because of doubts about how long these factors would influence demand. Last year sales increased 62 per cent to DM6.02bn and pre-tax profits 72 per cent to DM1.67bn.

Henning Kagermann, an SAP board member, said there was also uncertainty about the effects of the Asian financial crisis. "We are maintaining our forecast of revenue growth of between 30 per cent and 35 per cent for the year, given our expectations for slower growth in the second half," he said.

SAP is also facing tough competition from software developers such as Oracle and PeopleSoft of the US. Demand for SAP's products might slow once the market for larger companies has been saturated. SAP said yesterday that use of its software by small and medium-sized business grew in the first quarter.

This year the group is expanding its workforce by 5,000, almost 40 per cent.

BARRY RILEY

Wall St and the amazing vanishing risk premium

Wall Street has been doing its very best to ignore the dip in US corporate earnings growth, but as the first-quarter reporting season gets under way the 13 per cent fall in IBM's earnings per share has given a reminder of the weakening fundamentals.

But how important are earnings in a momentum-driven market? Not very, it seems. Early in January I suggested, prematurely, that Wall Street would struggle in the face of an unexpected earnings slowdown. Earnings expectations have duly decelerated sharply (consensus growth is now down to a bare 1 per cent for the first quarter), but the market has nevertheless raced ahead. Consequently the S&P 500 index has gone on to a remarkable trailing price/earnings ratio of 28.

Perhaps the investor relations spin doctors are playing their usual games. In the past a pattern has developed of downgrades followed by positive earnings "surprises" in the event.

In any case the consensus forecasts from sources such as First Call indicate that the analysts are only expecting a very temporary earnings blip. By the fourth quarter, they say, earnings will be racing ahead again by something like 15 per cent. For the full year, growth will be about 10 per cent, just as in 1997.

Now you see the slowdown, now you don't. A wobble in the technology sector, and short-term problems for US companies exposed to Asia, will soon be reversed, say the analysts. Long-term consensus growth expectations of some 14 per cent remain intact, even though they start from a historically high base of return on equity and share of profits in gross domestic product after some seven years of an economic uptrend.

Do analysts have any rational basis for such long-term projections? Or is the reasoning circular, in that unprecedented growth rates on such a scale would be required to validate current valuations and permit continued attractive returns?

Over 50 years the trend growth of earnings per share for US equities has been just 6.2 per cent a year, although it has been 10 per cent annually over the past decade. Mulling over these numbers, Ivan E. Stux of Morgan Stanley Dean Witter's quantitative team, calculates that a further acceleration to 11.5 per cent annually over the next decade is required to justify current price levels. This is on the assumption that investors require a 2 per cent annual risk premium to hold equities rather than Treasury bonds.

Alternatively, he says, let us postulate that the risk premium, which in the 1960s ranged between 7 and 10 per cent, has disappeared. In an economy from which the economic cycle has been banished investors do not see equities as any riskier than bonds. On this starry-eyed basis, US share prices could after all be reconciled with more realistic (that is, lower) earnings growth projections.

The downside would become painfully evident if investors were to become cautious again, and the risk premium were to widen. It could happen quite suddenly.

Over at Goldman Sachs, global strategist Jeffrey Weingarten has been looking at international valuations. He estimates the average p/e ratio for the world (excluding Japan) at 24. A total long-run annual return of 8 per cent a year is possible, he suggests, still allowing room for a 2 to 3 per cent risk premium. But this depends on the sustainability of double-digit returns on equity in the context of 5 per cent bond yields.

This may provide an explanation for the western stock market bubble: the opening of a remarkably wide gap between corporate return on equity and bond yields, sustained by unprecedented corporate restructuring and equity buy-backs. Goldman Sachs remains bullish. The rest of us will wonder whether the US earnings dip could provide the first clear warning sign that the gap is narrowing.

EQUITIES DEAL WITH CITIBANK AIMS TO CHALLENGE LONDON'S POSITION AS REGIONAL FINANCIAL CAPITAL

Paris bourse to launch EDR market

By Simon Davies, Capital Markets Editor

The SBF-Paris Bourse is to launch a European depositary receipt market in early 1999 in an attempt to attract listings of emerging market companies away from London and New York.

The move will be seen as another attempt by a European exchange to challenge London's position as the regional financial centre.

The Deutsche Terminbörse recently launched a successful attack on London's dominance in German government bond futures trading.

The Paris bourse has linked with Citibank in the hope that the euro will create a substantial pan-European equity market and offer a large pool of investment capital for international issuers.

Shares in emerging market companies will be placed with Citibank, as the depositary bank, and reissued in euro-denominated form.

London is the European centre for depositary receipts, trading GDRs on its Seaq system. The London Stock Exchange said GDRs could be traded in euros if issuers and investors demanded it, but the dollar remained the international currency of choice.

Citibank is hoping to have at least 10 listings by the middle of 1999, and is targeting Latin America and eastern Europe for potential issuers. EDRs will face listing requirements similar to those of ADRs, and will be able to use either international accounting standards or US GAAP accounts.

There may be some resistance to EDRs, given the small size of the French market compared with London and New York. However, there will be electronic link-ups with other European exchanges, enabling pan-European trading.

James Donovan, global managing director for Citibank's depositary receipt business, said: "We have been looking to create a structure around the new European market. The retail equity market in Europe is starting to grow at rates that look like the US market of 10 years ago."

The EDR market could get support from funds in the Emu zone, which are restricted to investing in euro-denominated shares, or in shares traded within the likely 11-nation Emu bloc.

Jean-François Theodore, chairman of SBF-Paris Bourse, said: "By launching the EDR market, the Paris Bourse gives both non-EU issuers and European investors an unprecedented opportunity to make the most of the euro. The listing of EDR on the Paris Bourse regulated market provides issuers with a gateway to the euro capital market and a recurrent fund raising capacity."

Banco Popular rises 9% in quarter

By Tom Burns in Madrid

Banco Popular, the highly-capitalised Spanish bank, yesterday reported an 8.9 per cent increase in first-quarter net profits, to Pta17.5bn ($114.3m), and claimed that declining net interest income, which had penalised earnings last year, had bottomed out.

Net interest income was down from Pta44bn in the first three months of last year to Pta40.2bn. However, there was a quarter-on-quarter increase of 0.4 per cent, the first such rise in the past 12 months.

As a net lender on the interbank market, Popular has been particularly exposed to falling domestic interest rates.

Although the results were in line with forecasts, the shares lost Pta420, or 3 per cent, to close at Pta13,230. The Madrid Bolsa's general index was down 0.6 per cent.

Manuel Martin, Popular's chief economist, said the net interest income figure was "a very positive sign". He said the bank expected to recover its lost margins early next year.

The bank occupies a niche position as the chief lender to high net worth individuals and to profitable medium-sized businesses. More than 50 per cent-owned by foreign institutions, Popular has traditionally boasted the strongest balance sheet in the domestic banking sector.

Write-offs and provisions for credit losses totalled Pta1.9bn, 47 per cent down on the bad and doubtful loan allocation in the first three months of 1997 and 42.3 per cent less than the allocation in the final quarter of 1997.

The sharply lower provisioning was made possible by the high quality of Popular's credit portfolio.

PolyGram falls sharply on poor music sales

By Alice Rawsthorn

Disappointing sales by its record labels triggered a steep fall in first-quarter net income for PolyGram, the Dutch entertainment group, to Fl 15m ($7.4m) from Fl 122m in the same period of last year.

Alain Lévy, president, warned of a flat second quarter for music, and a "soft" one for PolyGram's film division. However, he forecast a stronger second half, fuelled by new albums from Hanson, Sheryl Crow and Andrea Bocelli, and films including *Elizabeth*, the historical epic, and *Plunkett and Macleane*, starring Liv Tyler and Robert Carlyle.

PolyGram's shares, which fell last month after Mr Lévy warned investors about the first-quarter slowdown, were unchanged yesterday at Fl 87.

The Dutch group, which is 75 per cent owned by Philips, the consumer electronics group, mustered a modest increase in sales from Fl 2.2bn to Fl 2.28bn in the three months to March 31.

However, operating income fell from Fl 196m to Fl 41m largely because of an increase in marketing and recording costs for the music division. Net income per share tumbled from Fl 0.68 to Fl 0.08.

Only two albums, by All Saints and Andrea Bocelli, sold more than 1m copies during the quarter, against five in the same period last year. Mr Lévy said releases from Brian McKnight and Spitz had sold well.

The Coen brothers' latest film, The Big Lebowski, opened during the quarter

PolyGram's record companies were also adversely affected by Asia's economic instability, and have increased provisions for bad debts and returns in the region.

Overall, operating income from music fell from Fl 251m to Fl 90m on sales of Fl 1.8bn, compared with Fl 1.91bn.

The film division, which opened its US distribution operation last autumn and recently agreed terms to launch a film distributor in Italy, reduced its operating deficit from Fl 55m to Fl 49m on increased sales of Fl 480m, against Fl 293m in the first quarter.

The Big Lebowski, the new film by the Oscar-winning Coen brothers, opened during the quarter, as did *The Borrowers*, a children's picture, in the US.

While the film division is expected to remain weak in the second quarter, Mr Lévy anticipates improvement in the second half when, in addition to cinema releases, PolyGram will launch *The Borrowers*, *Spice World – The Movie* and *Barney's Great Adventure* on video.

Film is also expected to benefit from video and television income produced by CDR, the 1,050-strong film library recently acquired by PolyGram.

Swiss authorities clear PW and C&L merger

By Jim Kelly, Accountancy Correspondent

Swiss regulators have cleared the merger of Price Waterhouse and Coopers & Lybrand, removing the last potential barrier to completion of the $13bn deal.

The Competition Commission had ordered a detailed investigation into the deal – as had EU authorities – amid worries that the merged firm could dominate auditing among banks, insurance companies and multinationals.

But a statement issued last night said "there will be effective competition in these markets even after the merger" from other international firms such as Ernst & Young, KPMG, Arthur Andersen and Deloitte & Touche.

The two firms now only await formal clearance from the European Commission. On Friday, the advisory committee of member states meets to consider the merger task force's recommendation that permission is given.

While it is known that some authorities, including the UK's Financial Services Authority, still have anxieties, the merger is unlikely to be derailed.

Meanwhile, in New York partners selected to run the new merged firm, code-named Newco, have been reviewing confidential documents that recommend hiring 1,000 new staff a week for up to five years.

It is understood partners believe the massive global expansion in staff numbers is necessary to underpin ambitions of 20 per cent a year growth for Newco in terms of gross revenues.

However, rival firms will doubt whether the expansion can be achieved. The recruitment drive will also have to be seen against staff losses during the early years of the new firm.

The combined staff of the two firms is currently 136,500. If growth can be sustained over the five-year plan staff levels could approach 400,000 by 2003, putting the firm in a "breakaway" position in the new global "Big Five".

Endesa to invest $2.6bn overseas

By Andrew Taylor in Barcelona

Foreign investments by Endesa, Spain's largest electricity company, would represent about 21 per cent of total assets by the end of 2002 compared with 8.9 per cent last year, chief executive Rafael Miranda said yesterday.

He said moves to open European electricity markets to greater competition, under an EU directive due to come into force next February, had encouraged European suppliers to pursue investments overseas.

Endesa expects to invest $2.6bn in international projects over the next five years, he told an international utilities conference in Barcelona organised by Andersen Consulting.

The Spanish group has a strong presence in South American markets such as Chile, Colombia and Argentina, but is also looking elsewhere. It has not ruled out an investment in the US, where states such as California and Pennsylvania have started to open their markets to competition.

Michael Reynolds, European director of National Power, the large UK generator, told the conference that companies such as his own, Endesa, RWE of Germany, Electrabel of Belgium, EdF of France and Imatran Voima of Finland would increasingly become international.

NEWS DIGEST

PHARMACEUTICALS

Novartis shares tumble on flat sales figures

Shares in Novartis, Switzerland's biggest pharmaceutical company, fell sharply yesterday after flat first-quarter sales raised fears the company might not be able to achieve its expected growth of more than 20 per cent in net income in 1998. Novartis's overall sales were unchanged at SFr8.2bn ($5.5bn) in the first quarter and registered a 3 per cent increase after adjusting for currency movements. However, underlying sales growth in the core pharmaceutical business was just 2 per cent and only 1 per cent in the agribusiness.

Novartis said the modest upward trend in pharmaceutical sales was due to an exceptional performance during the same period last year when drug sales rose 14 per cent in local currency terms. Total healthcare sales rose 3 per cent, to SFr4.5bn, with a 1 per cent drop in consumer health sales being offset by stronger performances in generics and Ciba Vision, the two smallest parts of the group's healthcare portfolio.

The sluggish first-quarter drug sales growth compared with a 12 per cent rise in underlying drug sales at Roche, its main Swiss rival, and strong sales figures at several leading US pharmaceutical companies. Novartis's shares, one of the star performers on the Swiss stock market last year, fell by SFr94 to SFr2,470, while Roche's non-voting certificates rose SFr65 to SFr15,350.

Novartis said the first-quarter sales had also been hurt by inventory reductions by customers in Brazil and Japan, combined with imposed price cuts in Japan, which had led to a sales decline in both those countries. **William Hall, Zurich**

CREDIT LYONNAIS

Fears over aid package

Trading in shares of Crédit Lyonnais, the French bank, was suspended yesterday after concerns that the European Commission would block a final state aid package drove the stock down 10 per cent, the maximum allowable.

The shares were suspended "limit down" soon after the bourse opened, and resumed trading FFr42 lower at FFr590. They closed 4.27 per cent lower at FFr605. The turbulence followed reports on Monday that conditions imposed by the European Commission for approval of additional state aid for the bank had not been met.

There are fears that the EU and French government are having trouble reaching an agreement on the proposed state aid package. However, Dominique Strauss-Kahn, finance minister, said yesterday that "any suggestion of a bankruptcy for Crédit Lyonnais is obviously out of the question". Estimates for the ultimate cost to the French taxpayer range from FFr90bn to FFr190bn ($15bn-$31.5bn). **Financial Staff**

RUSSIA

IFC buys 8% of Toribank

The International Finance Corporation yesterday made its first direct equity investment in Russia's banking sector, paying $12.3m for an 8 per cent stake in Toribank, the country's 22nd largest according to assets. The investment was part of a capital increase of $40m which raised the value of the bank's equity to $122m.

Toribank's assets totalled $810m at the end of 1997. It is one of Russia's most important government securities dealers and rouble clearing banks. Toribank is majority owned by six Russian trading companies. **Charles Clover, Moscow**

SOUTH AFRICA

BOE buys Norwich Holdings

South Africa's Board of Executors group, which announced plans three weeks ago to simplify its cross-shareholdings and become a focused financial group with a full range of services, said yesterday it was buying control of Norwich Holdings, the life assurer.

BOE's Orion Selections has bought 28 per cent of Norwich and has options to acquire a further 22.5 per cent before May 29. The shares were bought on the market and from institutions at not more than R12 each, BOE said, which values Norwich at about R3.4bn ($673m).
Victor Mallet, Johannesburg

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CONSUMER PRODUCTS DIFFICULTIES IN EUROPE CONTRIBUTE TO A 19.3% DROP IN THE FIRST QUARTER

Kimberly expects higher earnings

By Richard Waters in New York

Kimberly-Clark's expensive foray into Europe produced a 19.3 per cent fall in after-tax earnings during the first three months of this year, the US consumer products company reported yesterday.

The company added, though, that it expected earnings per share for the remainder of the year to exceed the same period of 1997, thanks to price increases for paper tissues in the US and a recently announced restructuring.

The shares, which fell heavily last month when the company first indicated the scale of its difficulties in Europe, firmed $1 1/16 yesterday morning, or nearly 3 per cent, to $50¾.

Kimberly-Clark recently reorganised its European activities, putting the direction of its tissue and personal-care products on the Continent under the control of two executives whose remit had previously covered only North America.

Results for Europe were not disclosed separately, though Wayne Saunders, chairman, said they were "substantially lower" than the same period in 1997.

The company has suffered from overcapacity in the tissue business, as well as the high costs of launching new disposable nappies and feminine hygiene products.

Revenues from the company's worldwide tissue operations fell to $1.57bn, a decline of 11 per cent, or 4 per cent after allowing for the effect of disposals during the year.

That decline largely reflected the strength of the dollar, the company said. Operating earnings in this division fell 19 per cent to $205m.

Kimberly-Clark's personal care businesses, meanwhile, registered a 5.4 per cent rise in revenues, to $1.33bn, as foreign currency effects erased a large part of the 10 per cent gain in volumes.

It blamed a 15 per cent fall in operating earnings at the division, to $213m, on the cost of promoting new products in Europe, the effects of Asia's currency devaluations and lower nappy sales in North America.

Overall, the Dallas-based company reported net earnings of $298m on sales of $3.05bn, compared with $369m on sales of $3.34bn a year before.

Diluted earnings per share fell from 64 cents to 53 cents, just below the 54-58 cents range the company had indicated earlier.

Weak prices hit Exxon and Amoco

By Christopher Parkes in Los Angeles

Weak oil prices hit first-quarter earnings at Exxon and Amoco, establishing a trend which is expected to continue in other international energy groups' results due to be published in the next few days.

Exxon, based in Texas, said its profits from downstream operations soared 68 per cent, but that was not enough to offset the impact of the $7 a barrel reduction in the average crude price which prevailed during the quarter.

Net income dropped 13 per cent to $1.9bn, on revenues down from $35.2bn to $30.2bn.

Earnings per share slid 11.5 per cent to 77 cents from 87 cents last time.

Lee Raymond, group chairman, said the slowing Asian economies, mild winter weather and over-supply had reduced the average price of oil by 33 per cent.

However, sales of oil-based products increased in most parts of the world, reaching the highest levels since 1979.

Increased refining margins in Europe and better retail conditions in the UK lay behind a 67 per cent rise in earnings from motor fuel operations in non-US markets to $496m.

In the US, where fuel prices are a constant topic of contentious debate, refining and marketing profits jumped 75 per cent to $100m.

World chemicals profits rose $64m to $374m, helped by lower costs of feedstock.

While Exxon's chemicals margins improved, Amoco reported falls in some categories because of imbalances between supply and demand, attributable to soft Asian markets and increased output from new plants.

The Chicago-based group's earnings per share fell 41 per cent from 68 cents to 49 cents on revenues which fell 15 per cent to $7.6bn for the quarter.

Total net income of $386m, compared with $674m, was boosted by a gain of $43m from the divestiture of North American exploration and production properties.

Lee Raymond, Exxon chairman: average price of oil had fallen 33 per cent AP

Laurance Fuller, chairman, said the oil price decline cut upstream earnings by $300m – a decline of 53 per cent – to $271m.

While Amoco also suffered from the 33 per cent drop in crude prices to an average $13.80, natural gas prices also fell 65 cents to $1.85 per thousand cu ft.

Among chemicals divisions showing advances, Mr Fuller mentioned fabrics, fibres and alpha-olefins.

PHARMACEUTICALS STRONG DOLLAR HAS LITTLE IMPACT ON EARNINGS GROWTH

Drugs companies reveal strong quarter

By Tracy Corrigan in New York

Three US-based drugs companies yesterday reported strong first-quarter earnings growth, in line with expectations, in spite of the negative impact on sales of the stronger dollar.

Hemant Shah, analyst at pharmaceuticals specialist HKS, said the strength of the groups' earnings in the first quarter reflected the fact that they were currently enjoying considerable pricing flexibility.

"List prices rose 3-6 per cent in the first quarter. The reason is that managed care [in the US] is in disarray and the pharmaceuticals companies are in the driver's seat," he said.

In the early 1990s, it was widely expected that the growing strength of the US managed care sector would drive down drug prices.

Bristol-Myers Squibb reported net income of $927m, up 14 per cent on the same period a year ago. Earnings per share were 91 cents, 1 cent above analysts' estimates, according to First Call, the research agency.

Pharmaceuticals sales rose 14 per cent, or 17 per cent excluding foreign exchange.

Sales of cholesterol-lowering Pravachol, the company's biggest selling product, rose 19 per cent to $444m.

However, analysts said there was growing pressure in the cholesterol-lowering sector as a result of increasing competition.

In March, the US Food and Drug Administration cleared Pravachol for use in reducing the risk of a stroke in patients who have had a heart attack and have normal cholesterol levels.

Sales of Glucophage, the leading oral treatment of non-insulin dependent diabetes, grew 43 per cent to $181m. In its beauty care business, which includes Clairol, sales of Herbal Essences, now the number two shampoo in the US, rose 114 per cent to $129m.

Schering-Plough reported net income of $450m, up 20 per cent from a year ago, to produce earnings per share of 61 cents, also 20 per cent higher and 1 cent above analysts' estimates.

Pharmaceuticals sales rose 17 per cent in the quarter to $1.9bn or 21 per cent without the impact of foreign exchange. Sales of Claritin, an anti-histamine, rose 25 per cent, benefiting from an expanding market and increased market share, the company said.

American Home Products produced net income of $651m (excluding gains from the sale of its Sherwood-Davis & Geck medical devices business), up 13 per cent. Earnings per share of 98 cents were in line with analysts' estimates.

Pharmaceuticals sales of $2.26bn were up 4 per cent, on a pro forma basis. Sales were hit by the market withdrawal in the third quarter of Redux and Pondimin, the company's anti-obesity products, and currency effects.

The company initiated a review of its worldwide manufacturing and distribution systems, the results of which will be announced this year. It is expected to take a restructuring charge, partially offsetting the gain on the sale of its medical devices business.

Barrick advances 33% as costs fall

By Edward Alden in Toronto

Barrick Gold, the Canadian gold producer, reaped the benefits of both falling operating costs and its forward hedging programme to report a 33 per cent increase in first-quarter profits yesterday.

The strong results come in spite of the continued weakness of gold spot prices, which averaged US$295 during the first three months of 1998.

"Production and cash operating costs were excellent in the first quarter at all our mines," said John Carrington, chief operating officer. "This is an outstanding start to the year. First-quarter cash flow was in fact the second highest in Barrick's history, despite the current gold price environment."

Barrick's operating costs declined by 21 per cent, largely as a result of the more than doubled output of high-grade ore from its Meikle mine in Nevada. The mine produced 280,704 ounces at an average cost of $72 an ounce, which makes it one of the lowest-cost gold mines in the world.

Analysts said Barrick has been extracting the highest-quality ore from its Goldstrike property, and operating costs were expected to rise in the second half of the year.

Profits in the first quarter were US$75m, up $20m from the first quarter of 1997, on total revenues of $305m, up from $306m. Earnings per share were 20 cents, up from 15 cents in the same period last year and slightly above analysts' 19 cents estimate.

Barrick, the world's second largest gold producer, has protected itself against falling gold prices by the most aggressive forward hedging programme in the industry.

The programme, which gave Barrick an average price of $400 an ounce, generated $79m in additional revenue over the first three months to the end of March. Over the next three years, the company has 10.1m ounces hedged at $400 an ounce, allowing the company to sell its entire anticipated production at the higher price.

The programme and the company's high-grade reserves give Barrick an earnings potential unrivalled by other North American gold producers, said Todd Hinrichs, an analyst with ABN Amro Chicago. "Barrick has clearly been the big winner here in a time of low gold prices because they are the biggest hedger in North America for gold," he said.

Barrick's share price rose C$1.70 to C$32.35 in early trading.

NEWS DIGEST

CONGLOMERATES

Tyco advances 69% to $276m in record quarter

Tyco International, the highly acquisitive conglomerate, yesterday reported second-quarter earnings, before extraordinary items, of 48 cents, marginally above analysts' expectations and 55 per cent up on the 31 cents reported for the same quarter last year.

Wall Street analysts polled by First Call, the research agency, were anticipating diluted earnings per share of 45 cents. In morning trading, Tyco's share price rose $1 3/16, or 2.15 per cent, to $56⅛.

Net income before extraordinary items increased 69 per cent to $276.2m, compared with $163m. Sales rose 22 per cent to $2.85bn.

Dennis Kozlowski, chairman and chief executive, said the results were a record quarter for the company and demonstrated "the continued excellent performance of our core businesses and the success of the assimilation of recent acquisitions into our existing operations".

This week Tyco announced it was acquiring the Wells Fargo Alarm business of Borg-Warner Security for $425m cash. Wells Fargo Alarm, an electronic security services specialist, has revenues of approximately $250m.
William Lewis, New York

FOOD PROCESSING

Cargill falls 62%

Excess capacity in the food-processing industry and the slump in demand from Asia caused Cargill, the large Minneapolis-based agricultural and industrial products group, to report a 62 per cent fall in third-quarter earnings. The company, which is privately-owned but publishes brief quarterly statements, said it made $125m in the quarter, down from $249m in the same period a year earlier.

"Many of Cargill's businesses are inherently cyclical," said Robert Lumpkins, finance director. However, he added that the food sector's current excess capacity and the turmoil in Asia had made "a challenging year even more difficult".
Nikki Tait, Chicago

METALS

Freeport hit by lower prices

Lower metals prices caused Freeport-McMoran Copper & Gold, the US-based group which had big copper-gold production activities in Indonesia, to report a sharply-reduced first-quarter profit, at $26.6m after tax, compared with $62.5m a year earlier. The reduced result came in spite of Freeport's programme to reduce costs and boost production.

During the first quarter, PT Freeport Indonesia, which includes the huge Grasberg mine in Irian Jaya and is the company's main mining unit, lifted sales of copper 13 per cent to 288.2m pounds, and gold sales 12 per cent to 419,000 ounces. The Indonesian unit also achieved average unit cash production costs of 19 cents per pound, 39 per cent lower than in the first quarter of 1997. **Nikki Tait**

PANCANADIAN PETROLEUM

Hedging helps offset low prices

Hedging by PanCanadian Petroleum, the country's third largest energy producer, helped offset the effect of low commodities prices, but its first-quarter profits fell 67 per cent. The company reported net income of C$45m (US$31.8m), or 18 cents a share, compared with C$135m, or 54 cents, during the same period last year. Revenues for the quarter were down from C$867m last year to C$736m. Cash flow – an indicator of its ability to finance new projects – fell from C$281m to C$210m.

PanCanadian said its average realised oil price was C$17.24 a barrel, of which an average C$4.19 a barrel was due to its hedging plan. The company received an average price of C$24.28 a barrel in the first quarter last year. Natural gas prices were also down in the first quarter, from C$2.38 per thousand cu ft to C$1.88.

Natural gas production rose 8 per cent to an average of 787m cu ft per day, while oil and gas liquids output rose 7 per cent to almost 151,000 barrels a day. The company said it planned to increase natural gas production by 10 per cent over the year to take advantage of new pipeline capacity coming on line in 1998. **Scott Morrison, Toronto**

Tenneco beats estimates with $75m

By Nikki Tait in Chicago

Strong automotive original equipment sales growth in North America and Europe, coupled with a rebound in its packaging division, caused Tenneco to outstrip analysts' estimates for the first quarter, and report profits of $75m after tax, up from $53m in the same period a year earlier.

The results, which exclude a one-off gain taken in 1997, translated into earnings per share of 44 cents, compared with 31 cents previously.

Analysts' forecasts had averaged around the 42 cent-mark, according to First Call, the research company, and Tenneco shares jumped by $1 1/16 to $46¾ on the news.

The Tenneco result was scored on group sales of $1.86bn, up from $1.63bn in the first quarter of 1997. On the automotive side, operating profits rose 11 per cent to a record $89m, despite a much smaller 3 per cent revenue gain.

The company said that this reflected strong original equipment sales, notably in Europe where there was a 10 per cent advance on the back of higher sales to both US/Japanese carmakers and local companies such as Volvo and Mercedes. It admitted that the Asian and South American markets had been weak but said that its profits increased "slightly" in both markets.

Aftermarket sales, however, remained weak, with revenues in North America declining – although the company said this softness was partly offset by new business and some higher-value product sales.

On the packaging side, revenues were up by 24 per cent, at $1.1bn, while operating profits jumped from $42m a year ago, to $108m. This was driven by strong growth on the specialty packaging side, due partly to expansion of the "Hefty One-Zip" food bags, and a turnround on the paperboard packaging division, from a $7m loss to a $34m profit. Tenneco said that it expected to see "continued income improvement" ahead.

Meanwhile, Lear Corporation, another big car component supplier making car seats and other interior items, also saw better-than-expected profits in the first quarter – benefiting from good sales growth in Europe.

After-tax profits reached $47.3m, compared with $41.9m in the first quarter of 1997, and earnings per share rose from 62 cents a share to 69 cents, beating forecasts by about 1 cent.

Lear said that sales for the quarter were just over $2bn, up from $1.72bn previously, with 80 per cent of that increase coming from outside the North American market.

The increase in Europe alone was 50 per cent, taking sales to $623m, while other regions saw sales expand by 24 per cent, to $182.2m.

Lear shares rose $⅝ to $56⅝ in early trading.

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TOBACCO MARLBORO MANUFACTURER CLAIMS MORE THAN HALF OF DOMESTIC CIGARETTE SALES

Philip Morris lifts US market share

By Richard Waters in New York

Philip Morris has more than half of all cigarette sales in the US for the first time, the company reported yesterday. This follows a marketing skirmish among tobacco groups, which has been partly spurred by the negotiations over an industry-wide settlement that would place restrictions on advertising.

The heavy promotional spending associated with the battle, however, dented profit margins in the domestic operation – the most profitable part of the business.

Philip Morris reported a 6 per cent rise in after-tax earnings for the first three months of this year, to $1.87bn, in line with Wall Street's expectations.

The heightened struggle for market share broke out earlier this year when a proposed settlement of all litigation against tobacco companies in the US appeared to have a chance of finding its way into law.

That settlement would have limited tobacco advertising in the future, giving the cigarette makers more incentive to boost their market shares through heavier marketing while they still could. The chances for a negotiated deal have retreated, however, following an attempt by some lawmakers to impose far stiffer penalties on the tobacco industry.

Philip Morris' latest advance was due to gains by its leading brand, Marlboro, which had already been stealing share from rival premium cigarettes. The brand added a further 2.6 percentage points of market share during the quarter, leaving it with a record 35.9 per cent of the US market, according to Philip Morris. Overall, the company's market share rose 1.9 percentage points to 50.4 per cent.

These gains came despite some hefty price increases in recent months, which helped drive revenues from the domestic tobacco business up 13.7 per cent to $3.3bn, despite a volume increase of only 2.1 per cent.

Higher marketing costs cut the operating profit margin in the domestic tobacco operation to 34 per cent, a fall of nearly 3 percentage points. Operating profits from this part of the business were $1.13bn, a rise of 4.7 per cent.

"The market certainly looks excellent" for the big tobacco companies, said Jack Cunningham, an analyst at Salomon Brothers Asset Management, with three price increases totalling 16 per cent over the past seven months.

Philip Morris' larger non-US tobacco operations, reflected different dynamics during the quarter.

The impact of a jump in volumes of almost 5 per cent was reduced by adverse currency movements, leaving revenues at $7.35bn, a rise of 4.9 per cent. However, operating profit margins rose to 19.4 per cent, a gain of more than one percentage point.

Overall, the company reported a 7 per cent increase in diluted earnings per share, to 77 cents. Its figures were affected by pre-tax costs of $95m due to an early retirement scheme.

Higher fee income benefits banks

By John Authers in New York

Sharp increases in fee income from capital markets and fund management operations boosted first-quarter earnings for a range of US commercial banks during the quarter, and counteracted tightening profit margins in their core lending businesses.

Merger-related charges and savings also affected many banks.

Chase Manhattan, the largest US bank by assets until various pending mergers are completed, announced strongly improved results, well ahead of analysts' expectations. Net income for the quarter fell to $725m from $927m in the year-ago period, but this was due to a charge of $320m announced earlier to allow for further streamlining of the bank's operations in the wake of the 1995 merger between Chase and Chemical Banking.

Total trading revenues, which are erratic, were $713m, 23 per cent higher than in the equivalent quarter of 1997. Problems caused by the Asian crisis meant that Chase had made only $127m in trading revenues during the final quarter of last year. It also more than doubled the fees it earned from investment banking activity.

US bank and thrift results

	net income Q1 1998	net income Q1 1997	% change
Banc One	517.6	381.9	+36.0
Chase Manhattan	725.0*	927.0	-21.8
Mellon Bank	231.0	203.0	+13.8
Wachovia	185.3	183.5	+0.9
Wells Fargo	315.0**	339.0	-7.0
Washington Mutual	256.5	179.8	+43.0

Source: Companies

* Reflects a previously announced, one-time charge of $320m after tax
** Includes a non-recurring loss of $22.8m

Earnings from US consumer banking also rose, but only by 9 per cent. Credit card revenues rose 17 per cent to $931m, following the acquisition of a credit card portfolio from the Bank of New York.

The market reacted far more positively to the news from Chase than to any of the other banks which announced figures yesterday, and in early trading the stock was up 3.4 per cent, or 4\frac{9}{16}$, to $139¾.

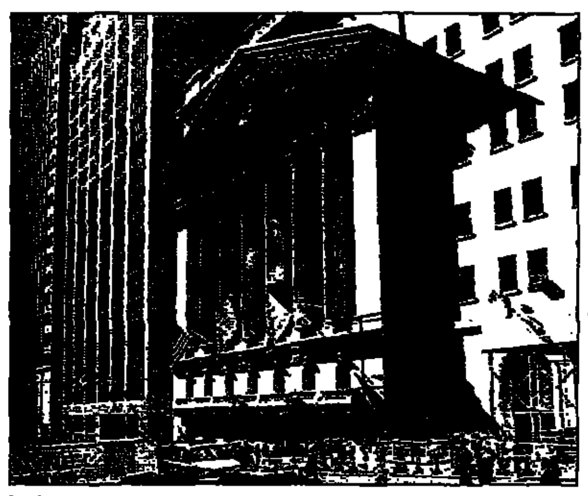
The trend for increasing trading earnings, while leaving income from lending relatively flat, was duplicated at a range of large regional banks which also reported their earnings yesterday.

Wells Fargo, the San Francisco-based bank whose hostile takeover of Los Angeles-based First Interstate in early 1996 is generally regarded as the least successful bank merger of recent years, announced results ahead of the consensus of analysts' forecasts. Net income, at $315m, was 7 per cent below the $39m recorded for the equivalent quarter of last year.

Its efficiency ratio, expressing total administrative costs as a proportion of revenues, improved over the year from 60.3 per cent to 58.9 per cent, and credit quality was better than expected.

However, its assets remain 10 per cent below their level of a year ago, down from $105.4bn to $95.2bn. Average deposits fell from $77.6bn to $69.8bn.

Banc One, the Ohio-based bank which announced its acquisition of First Chicago NBD last week in a stock swap worth $29.5bn, announced profits directly in line with Wall Street expectations, up 36 per cent over the year from $381.9m to $517.6m.



NYSE: regional banks had a poor session on the market AP

It increased interest income, against the trend, by 12 per cent to $2.14bn, while non-interest income was up 32 per cent to $785m.

Pittsburgh-based Mellon Bank, which has made several acquisitions of fund management and securities processing businesses in recent years, also recorded powerful results, raising net income by 13 per cent over the year to $231m from $203m.

Net interest revenue was down from $373m to $367m, but fee revenue increased 30 per cent over the year, up $162m at $696m.

Washington Mutual, the nation's largest thrift which last month announced a $9.74bn acquisition of H. F. Ahmanson, the second largest, announced a 43 per cent increase in earnings over the year to $179.8m.

It was aided by heavy cost savings in the wake of its acquisition of Great Western, a California-based thrift for which Ahmanson had made a hostile bid.

Its efficiency ratio increased from 56.54 to 47.15 per cent.

Despite the results, most of the regional banks had a poor morning on the market. Banc One dropped 1\frac{3}{16}$ to 59\frac{1}{16}$, and Wells Fargo, now widely rumoured to be an acquisition target, slipped 5\frac{11}{16}$ to 376\frac{1}{16}$.

European companies catch on to intranets

By Paul Taylor

European companies are rapidly adapting their corporate intranets – private networks based upon internet technologies – to run "mission critical" business applications, Jim Barksdale, Netscape Communication chief executive, said yesterday.

Mr Barksdale, in London to launch the results of an International Data Corporation survey of corporate attitudes towards intranets, said that after lagging behind their US counterparts, European companies were now catching up quickly.

"Although internet enterprise products took off more slowly in Europe, companies have now absolutely caught on to the opportunities of internet commerce," he said.

"The study shows that today, within the major countries of Europe, about 60 per cent of them are actively either building or getting ready to build intranets and extranets. If you go back a year it was probably less than half that."

The IDC study, based upon 250 interviews in France, UK and Germany, suggests that first-generation intranets which are currently mostly used for internal communications will be rapidly enhanced to run important business software – particularly customer care and electronic commerce.

The survey results were welcomed by Mr Barksdale who, after fighting a bitter battle with Microsoft for control of the browser software market, has repositioned Netscape to focus on the enterprise business market and the Netscape web site business.

Enterprise software represents the bulk of Netscape's revenues, although Mr Barksdale said he believed the web site business would continue to grow more rapidly.

Meanwhile, he said that since Netscape began giving away its Navigator browser software, its market share had "stabilised and is going back up".

Nortel beats expectations

By Scott Morrison in Toronto

Continued strong growth in wireless and data networking technology enabled Northern Telecom, the Canadian telecommunications equipment manufacturer, to post a first-quarter operating profit of US$141m, or 27 cents a share.

The results exceeded analysts' expectations of 25 cents a share and compared with net earnings of US$108m, or 21 cents a share, during the same period last year. Including a write-down that reflected its C$593m (US$416m) acquisition of Broadband Networks last year, the company reported a net loss for the quarter of US$63m, or 12 cents a share.

John Roth, chief executive, said Northern Telecom would write down the in-process research and development expense for Broadband over the next four quarters. The company's US$290m acquisition of Aptis, a US internet equipment manufacturer, would be written down in similar fashion, probably starting in the third quarter, Mr Roth said.

Northern Telecom, which is 51.7 per cent owned by BCE, said revenues from sales at Broadband rose 29 per cent in the quarter, while wireless networks revenues were up 20 per cent.

The two divisions accounted for almost 50 per cent of first-quarter sales, which rose 5 per cent overall to US$3.5bn. Sales revenues for data and multimedia communications equipment increased 29 per cent to US$196m.

Analysts were encouraged that research and development expenses increased US$100m to US$575m, or 16.4 per cent of revenue, as the company moves to meet demand for data networks equipment that has been generated by the explosive growth of the internet.

Mr Roth has shifted the company's focus from voice network equipment to equipment for reliable and secure data networks.

Sales in Europe rose 15 per cent in the first quarter and 5 per cent overall. Sales in Asia rose 15 per cent, primarily due to strong demand in China.

At mid-session yesterday, Northern Telecom's shares were down C$2.60 at C$92.80.

Symbol in $800m offer for Telxon

By Christopher Price in San Francisco

Telxon Corporation, the US wireless and mobile information system manufacturer, yesterday confirmed it had received a takeover approach from its larger competitor, Symbol Technologies.

The offer, which analysts said was likely to value Telxon at around $800m, was being reviewed by the group's board.

Telxon shares rose 21 per cent to $33¼ in early trading on Nasdaq. Symbol shares were up 3 per cent to 37\frac{3}{16}$.

Both companies are involved in the manufacture of computer-based systems which enable the gathering of data and communication of information.

Symbol is best known for its bar-scanning systems used in the retail market. Telxon also has a strong retail presence with its range of products, which include mobile computers for logistics and warehousing.

In its last results, Telxon reported nine-month revenues of $332m and net income of $8.3m, or 52 cents a share. This compared with revenues of $344m and losses of $7.4m. Neither Telxon, nor Symbol, were available for comment.

PHILIPPINES FORMER MARCOS BUSINESS ASSOCIATE VOTES SHARES FOR FIRST TIME IN SEVEN YEARS

Boardroom shake-up at San Miguel

By Justin Marozzi in Manila

San Miguel's bitter ownership dispute took another twist yesterday when Eduardo Cojuangco, a business associate of the late president Ferdinand Marcos, voted 20 per cent of the group's shares for the first time in seven years, installing three new directors on the board of the Phillipines food and beverage group.

The move is a triumph for Mr Cojuangco, who has been fighting for control of a 48 per cent stake in San Miguel since 1986, when the Cori Aquino administration sequestered it on the grounds it had been fraudulently acquired.

On Monday, the anti-graft court ruled that Mr Cojuangco was entitled to vote 20 per cent of the shares. As one stockbroker put it: "The bad boy's back in town."

At yesterday's annual shareholders meeting, Magtanggol Gunigundo, head of the Presidential Commission on Good Government, the body tasked with recovering assets illegally acquired under the Marcos regime, unsuccessfully challenged the court's ruling, arguing he had not received the writ preventing the PCGG from voting the shares.

"I'm amazed that such brilliant lawyers heading government agencies in this country are suddenly struck by lightning and are so suddenly ignorant of the fact," thundered Gabriel Villareal, one of the lawyers representing Mr Cojuangco.

Espelito Mendoza, another of Mr Cojuangco's lawyers, and Mr Villareal were both elected to San Miguel's board of 15, joined by Manuel Cojuangco, Mr Cojuangco's brother. Management increased its representation from four to five directors, with the government's share declining from 11 to seven.

Analysts believe the board changes may represent the first move to unseat Andres Soriano, chairman and chief executive since 1986.

The country votes for a new president on May 11. If Joseph Estrada, the populist vice-president who is close to Mr Cojuangco, is elected, he may appoint PCGG nominees more sympathetic to the former Marcos associate.

Analysts also believe the group may re-emerge as a takeover target after the election, following acquisition moves this year by First Pacific, the Hong Kong-based conglomerate.

Mr Soriano said he did not foresee any change in strategy with the three new directors. However, he described 1997 as "one of the most difficult years ever" for the company.

Net income slumped 51 per cent from 6.1bn pesos to 2.9bn pesos ($76m) after foreign exchange losses, lower beer prices, higher financing costs and aggressive marketing in China.

"When I look at this company, what I see is the Titanic," said the head of research at a local brokerage.

Baoshan steels itself for Asian turmoil aftershocks

China's steelmakers are facing cut-price imports and slowing domestic demand, write **James Harding and John Ridding**

Breaking the mould: Xie Qihua, inset, says she will follow the principal of maximising profits

The collapse of exports to South Korea and a surge in cut-price imports from elsewhere in Asia threatens to sink 1998 profits at Baosteel, one of China's largest and historically most profitable steelmakers.

The company, formally known as Baoshan Iron and Steel, saw profits slide 37 per cent last year as slowing domestic demand conspired with growing oversupply to depress prices.

This year, Baosteel's exports to Korea, which previously accounted for nearly half the company's overseas sales, have fallen to zero. At the same time, steelmakers from Korea and Japan have started selling cheap steel on the Chinese market, forcing prices down.

Xie Qihua, president of Baosteel, says: "Following the devaluation of currencies in Asia, particularly in Korea, prices have fallen very fast... Because of their [Korea's] economic situation and the collapse of their domestic markets, they want to export more. The Chinese market is their chief focus."

The prices of some steel products have fallen 20 per cent in a year, and Baosteel's stocks have risen, Ms Xie says. "Their prices will come down further and Baosteel will have to follow their lead. Baosteel's profits will be affected.

"Even with the currency devaluation, the raw material is still imported from other countries, so the devaluation should only affect local costs."

Nearly 40 per cent of Baosteel's exports have tended to go to Korea, but this year, Ms Xie says, the country's buyers have been unable to pay and "we have had no exports to Korea at all". In 1997, Baosteel earned $830m from overseas sales, part of overall turnover Yn29.3bn ($3.5bn). This compares with turnover of Yn48.4bn the year before. Profits last year were Yn2.2bn, compared with Yn3.5bn in 1996.

Ms Xie acknowledges that the Asian crisis offers strategic opportunities. Baosteel has been invited to take stakes in some troubled Korean steelmakers, and Ms Xie notes that "some of the Japanese steel mills in Thailand are on the brink of bankruptcy".

However, she says that Baosteel will wait until it can see things a little more clearly before making a decision.

The pressures on the company are exacerbated by the weakness in the domestic market, where users of steel, such as carmakers and white goods manufacturers, have been slashing prices to whet consumer appetites.

"In the domestic market, in the first quarter, prices have fallen a further 10-15 per cent since the first quarter of 1997. Downstream people have been cutting prices," she says.

Nevertheless, the company continues to expand production capacity. Baosteel, based outside Shanghai, expects to produce 10m tonnes this year, up from 8.87m tonnes – or 8 per cent of national output – in 1997.

Baosteel is also borrowing to invest in further technological upgrades and extra output. The company recently borrowed Yn10.2bn from China's banks and, having postponed plans for a Yankee bond issue last year, hopes to issue bonds in 1998.

The tough market conditions in China look likely to slow – or even derail – the progress of Baosteel's state-sanctioned merger with Shanghai Metallurgical Holding, a state-owned steelmaker. The government has been the driving force behind the merger, hoping the profitable Baosteel will absorb the lossmaking Shanghai Metallurgical and its 120,000-strong workforce.

Baosteel trimmed its staff last year, from 16,500 to 9,800. Beijing has set a target of cutting the number of people working in the steel sector by 700,000 – or 23 per cent – by 2000.

Ms Xie will not be drawn on the likelihood of the potentially burdensome merger. However, she insists: "What we do will follow the principle of the maximisation of profits." Bearing Beijing's target in mind, she adds: "If the merger does not happen, Shanghai Metallurgical will have to downsize anyway."

Outlook mixed for Japanese retailers

By Bethan Hutton in Tokyo

Profits fell last year at three Japanese department stores, but some accompanied yesterday's results with forecasts an improvement for the current financial year.

Takashimaya, Japan's oldest department store operator, said group net profits fell 11.1 per cent to Y8.28bn ($63m) over the year to February 28, while pre-tax profits fell 23 per cent to Y16.67bn, on sales steady at Y1.24bn.

Operating profits plunged 30 per cent to Y20.84bn. Parent-only figures showed an 18.4 per cent drop in net profits to Y6.4bn, and a 26 per cent decline in pre-tax profit to Y11.74bn.

Takashimaya said it expected difficult retailing conditions to continue, predicting further falls in both parent and group profits for the current year.

Matsuzakaya, an upmarket Nagoya-based department store operator, fell into a net loss of Y9.57bn, in line with its predictions, but said it expected to return to profit this year.

The previous year's net profit was Y2.32bn; the company said it expected a net profit of Y1.9bn for the current year.

Pre-tax profits for the year ending February 28 fell from Y5.51bn to Y2.29bn, while sales slipped 3.1 per cent to Y421.99bn.

Daimaru, an Osaka-based department store chain, said its net profits were down 11.6 per cent to Y2.14bn, with pre-tax profits down 16.5 per cent to Y4.10bn. Sales slipped 0.6 per cent to Y504.77bn. Daimaru warned that the situation would worsen in the current year, and predicted further declines in sales and profits.

Meanwhile Sogo, another department store operator, bucked the trend with an increase in profits over the year to February 28, and a forecast of more growth this year.

However, the improvement is from a low base, as Sogo's net profit slumped from Y5bn to Y41m over the year to February 1997, before rebounding to Y565m for 1998. Sales continued to fall, losing 5.4 per cent to Y166.7bn, while pre-tax profits grew 41 per cent to Y319m.

HONG KONG DIRECTORS RETURN AWARDS MADE AFTER 'UNINTENTIONAL BREACH' OF STOCK EXCHANGE RULES

China Everbright options surrendered

By Louise Lucas in Hong Kong

Directors of China Everbright, one of the listed companies under the acquisitive business arm of China's State Council, have surrendered share options awarded just before a big mainland acquisition last year.

The acquisition prompted a 40 per cent rise in the share price two days after the share options were granted.

Describing the award of options last June as an "unintentional breach" of the Hong Kong Stock Exchange's listing rules, China Everbright said directors who had gained from the share options would return their net profits to the company.

All outstanding and unexercised options granted at that time would be voluntarily surrendered, it said.

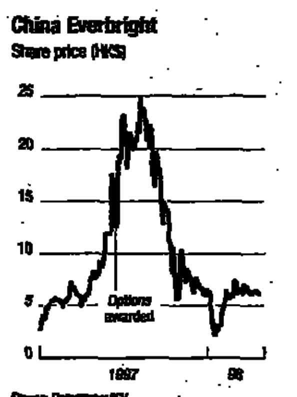
Analysts said investors would be comforted by the move, as it showed that Hong Kong regulators did not balk at reprimanding "red chips", or mainland-backed companies.

Red chips attracted a flurry of attention last year around the time of the handover of Hong Kong, and regulators launched a series of investigations into sharp share price movements.

However, other analysts said greater comfort would have been drawn if the stock exchange had taken tougher action against the directors for such a clear flaunting of rules.

China Everbright said the stock exchange had confirmed no further action would be taken against the directors in view of the remedial measures.

The company said yesterday that share options covering 50.15m shares – representing nearly 6 per cent of the issued share capital at that time – were granted one day before the group sealed an agreement to buy a 20 per cent stake in Everbright Bank of China.



News of the acquisition, which gave foreign investors one of their first opportunities to access the tightly regulated mainland banking sector, sent the share price soaring.

On June 18, the share price of China Everbright (then called China Everbright IHD-Pacific) rose almost 40 per cent.

In a statement to the Hong Kong Stock Exchange, Wang Taoguang, a director of China Everbright, said the surrendering of the relevant share options and gains made on the exercising of them "have ensured that no director has personally benefited from the granting of such options".

NEWS DIGEST

TELECOMMUNICATIONS

China Telecom to buy 1.6% stake in Globalstar

China Telecom, the Hong Kong-listed arm of China's ministry of information industry, is to buy a 1.6 per cent stake in Globalstar Telecommunications, the US company building a worldwide satellite-based mobile telephone system.

Under the deal, China Telecom and ChinaSat, another subsidiary of the ministry, will retain the sole rights to provide Globalstar services in China. The holding will cost China Telecom $37.5m, the price of the stake at the start of negotiations two years ago and a significant discount on its current value of $120m.

The US tie-up comes ahead of China Telecom's expected acquisition of the cellular network in Jiangsu province, one of the mainland's biggest and currently owned by the ministry.

Globalstar said its tie-up would further its China ambitions. "The addition of China Telecom as a full partner solidifies Globalstar's commitment to bringing the promise of mobile satellite communications to China's 1.2bn people," said Bernard Schwartz, chairman and chief executive of Globalstar. Mr Schwartz is also head of Loral Space and Communications, Globalstar's largest equity owner.

Duncan Clark, managing director of BD Associates, a telecoms consultancy in Shanghai, said that China Telecoms' stake in Globalstar was more likely to be a way of cementing ties with a global satellite company than an indication of a new strategic direction.

For Globalstar, the deal was crucial. Including China, Globalstar now has service provider agreements in more than 100 countries, covering 85 per cent of its business plan. The company expects to serve more than 200,000 subscribers in China by 2002.

James Kynge, Beijing, and Louise Lucas, Hong Kong

INVESTMENT

ANZ arm to launch Asian fund

The emerging markets arm of ANZ, the investment bank, is to launch an Asian Recovery Fund as a sign of confidence in the region hit by market turmoil last year. Mark Coombs, managing director of ANZ Emerging Markets Fund management, said the fund was the first to be launched with aims to invest in a broad range of asset classes including debt, currencies, interest rates and equities.

He added that clients, typically large institutional investors, had asked for more opportunities to invest in the region in recent weeks. With a minimum investment of $25,000, the fund aims to attract between $100m and $500m.

The fund, which is positive on Korea and China but believes south-east Asia could prove more volatile, is to be launched tomorrow with a closing date of May 21. **Jane Martinson**

CHINA

First quarter shows sharp falls

Corporate China continued to underwhelm international investors yesterday, as more companies contributed to Shanghai's disappointing results season with sharp falls in 1997 profits.

Shanghai Dajiang Group, one of China's biggest producers of feedgrain, saw profits tumble by more than 70 per cent last year, because of weak domestic demand, a price war and a slump in exports. Dajiang's net profits slipped from Yn118.7m in 1996 to Yn25.9m ($3.1m) last year after cuts in the price of feedgrain wiped Yn100m off income.

Shanghai Diesel Engine, the machinery manufacturing company, reported a 44 per cent slide in profits, as higher production costs ate into a modest increase in turnover. Under international accounting standards, the company achieved net profits of Yn70.8m in 1997, compared with Yn126.7m the previous year, on sales of Yn1.57bn, against Yn1.05bn.

Profits also plunged at Shanghai Lujiazui Finance and Trade Zone Development, which manages property at the heart of the planned international financial centre in Shanghai. Lujiazui reported profits down nearly 45 per cent to Yn328m in 1997. The company blamed the fall on the collapse of Shanghai's property market, where rents have slumped after a glut brought on by an orgy of construction in the past few years.

James Harding, Shanghai

THAILAND

Thai Farmers slumps 95%

Thai Farmers Bank, Thailand's third largest commercial bank, said yesterday its net profit in the first quarter declined 95 per cent to Bt133m ($3.4m). Earnings per share fell from Bt3.31 to Bt0.17.

The bank did not give any explanation for the decline. Analysts said it was probably following the same strategy of other Thai banks in making high provisions for non-performing loans. It recently raised $857m in new capital, much of which has been earmarked for provisions in the second quarter.

High provisions are expected to lead many other Thai banks to report losses in the first quarter. One small bank, Nakornthon, said yesterday it lost Bt513m in the first quarter, compared with a net profit of Bt104m last year. Laem Thong Bank, Thailand's smallest bank, said yesterday it lost Bt665m in the first quarter, compared with a profit of Bt41.6m last year. **Ted Bardacke, Bangkok**

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RWE Performance Profiles

Looks like an interesting family.

RWE has been using its financial resources and expertise to build a first class portfolio of subsidiaries that promises continued solid performance in the future.

Our family of companies is well worth looking at. It includes such well known names as Heidelberg, a market leader in high-tech printing systems, HOCHTIEF, a major international force in airport construction and management, and CONDEA, which ranks among the foremost producers of base chemicals for detergents and cosmetics worldwide. As Europe's largest private energy company, RWE Energie is already well positioned for the newly liberalized energy market. But that's only part of our corporate story.

Carefully shaping our portfolio, we are focusing on companies that are among the leaders in their respective fields. We are also investing in future-oriented technologies such as telecommunications, another area in which RWE stands to benefit from European liberalization. Our portfolio is solid and dynamic.

Portfolio optimization is only one way in which we are enhancing RWE's attractiveness to investors. The restructuring of our shareholder base is another. This increases RWE's appeal in international financial markets. Take a closer look at our family.

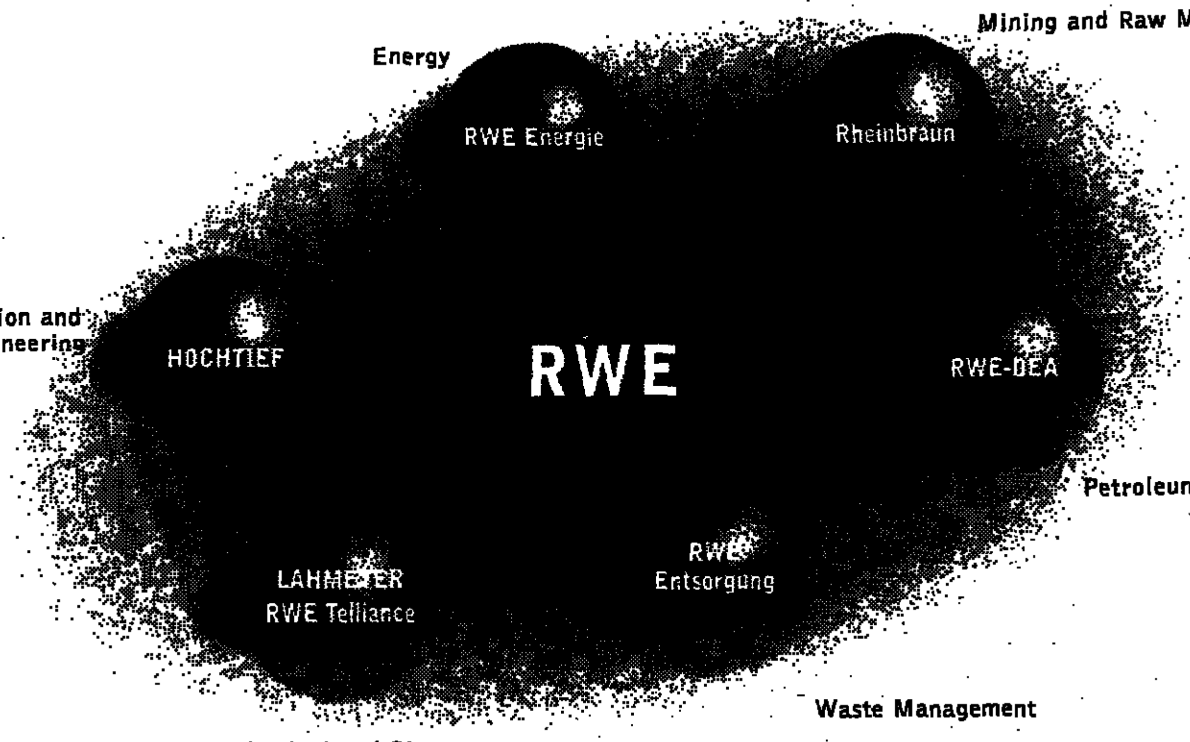
RWE Energie, Rheinbraun, RWE-DEA, RWE Entsorgung, LAHMEYER, RWE Telliance, HOCHTIEF **RWE** The Group That Knows How.

RWE – Braced for the Challenges of the New Millennium.

RWE has come a long way from its beginnings as an electricity utility. Today Germany's fifth largest corporation is a diversified international group with a network of subsidiaries and affiliates around the globe. Organized into six divisions – energy; mining and raw materials; petroleum and chemicals; waste management; mechanical and plant engineering and telecommunications; and construction and civil engineering – the RWE Group posted group net sales of more than DM 72 billion in its 1996/97 business year ended June 30 and a net profit of DM 1.3 billion.

Almost all of RWE's divisions are at the top or among the top in their industrial sectors. RWE's portfolio of companies includes Europe's largest private energy company RWE Energie AG and the world's leading lignite producer Rheinbraun AG as well as one of Germany's largest construction companies, HOCHTIEF AG, and one of the country's leading holdings for engineering firms, LAHMEYER AG.

Heidelberg, the world's leading producer of high-tech printing systems, is another asset in RWE's performance portfolio as is RWE-DEA AG, a fully integrated upstream and downstream oil company with German as well as foreign activities. RWE Entsorgung AG is one of the largest waste management providers in Germany and MAQUET AG Europe's leading manufacturer of operating tables.



The RWE Group at a Glance.

RWE Energie has a high-voltage grid covering Europe's major economic centers and regions and is thus well prepared for the newly liberalized market.

Rheinbraun is among the world leaders in the extraction and refining of lignite, a cost-efficient source of energy.

RWE-DEA ranks number three in Germany in petroleum products and is a major force in mobility services, operating a country-wide network of 1740 petrol stations. CONDEA is number one worldwide in the manufacture of detergent feed-stocks and ranks among the foremost producers of ingredients for the cosmetics industry.

RWE Entsorgung stands for a cleaner environment, providing efficient management for waste disposal and recycling.

LAHMEYER has Europe's leading manufacturer of operating tables in its portfolio. Heidelberg is the worldwide market leader in high-tech printing systems. It is continuously setting new standards in its field. Everything from pre-press to finishing from a single top-quality supplier.

Through its involvement in o.tel.o, **RWE Telliance** is prepared to take advantage of fresh business opportunities in the newly deregulated German telecoms market.

HOCHTIEF is one of Europe's leading construction and engineering companies with worldwide operations and aiming to become a system leader for designing, financing, building and operating large-scale projects, for example airports.

Share Conversion Enhances RWE's Standing in International Capital Markets.

RWE Chief Financial Officer Clemens Börsig answers questions about the Group's plans to abolish multiple voting rights.

Question: Mr. Börsig, your plans to change RWE's shareholder structure was approved almost unanimously on February 26. Why is this such a big step for RWE?

Börsig: Our current shareholder structure – which we are now in a position to change – is much too complicated. We had registered shares carrying 20 votes each, non-voting preference shares and ordinary shares. Some investors – especially non-German institutional investors – were put off by this and that kept the price of our ordinary shares "captive".

Question: How will abolishing multiple voting rights change the structure?

Börsig: At the moment, registered shares with multiple voting rights account for 30.2% of the total votes. These registered shares will be converted into ordinary shares with one vote each. Preference shareholders will also have the opportunity to convert their non-voting shares into ordinary voting shares. "One share, one vote" – that is our goal and standard in international capital markets.

Question: And RWE shareholders will benefit from this?

Börsig: They stand to greatly benefit from the conversion. The price of our ordinary shares will no longer be held "captive" by our complex structure. They become more attractive to a broader range of investors from around the globe, and that should have a positive impact on the share price.

Market Leaders in a Single Group.

RWE Chairman Dietmar Kuhnt talks about the company's strategy for success in global markets.

Question: Mr. Kuhnt, how is RWE shaping its strategy to tackle the challenges that lie ahead?

Kuhnt: The major challenges are liberalization and globalization, and we are well positioned for both. As Europe's largest private energy company RWE Energie is geared up for competition in the energy market. And we have set up a new communications joint venture, o.tel.o., to take advantage of deregulation in that field. Recognizing new business opportunities and moving into new markets is as much part of our global strategy as is the optimization of our existing portfolio of companies. And we are set to expand internationally. By the year 2005 the Group wants to boost sales to DM 100 billion with some 25% generated outside Germany.

Question: What are your criteria for portfolio optimization?

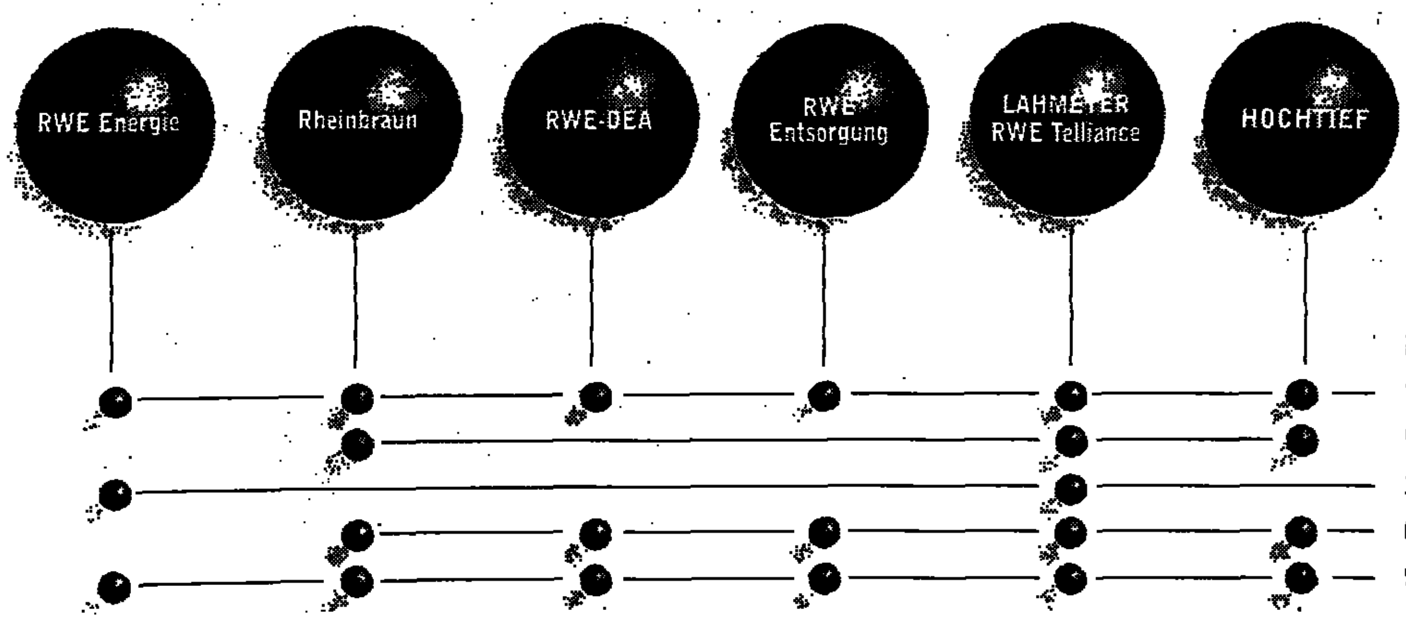
Kuhnt: We concentrate on businesses and sectors which are or are on the way to becoming market leaders in their fields. We only acquire new businesses or participations that help us expand and build up our core businesses. This concentration is further enhanced by disinvestments when necessary.

Question: RWE is a large corporation that combines a lot of activities under one roof at a time when other companies are spinning off businesses to enhance shareholder value ...

Kuhnt: What's good for one company is not necessarily good for another. In our case size is one of our major strengths. It enables us to achieve economies of scale and make full use of synergies. Our size also provides us with the financial resources to pursue our corporate strategy with vigor and a commitment to long-term success. Constantly reviewing our portfolio of companies and optimizing it is our way of enhancing shareholder value. All in all, this is an impressive portfolio and a solid base for the future prosperity of the RWE Group which has ambitious plans for the new millennium.

The Share Conversion Step by Step.

- A bank consortium issues conversion warrants for the conversion of preference shares into ordinary shares against payment of a conversion premium.
- Shareholders can make an offer for warrants through their bank. The final allocation price of the conversion warrants will be determined in a bookbuilding process from approximately April 14-24.
- After allocation of warrants to the bidders there will be a period of two months during which the warrants will be traded at the Frankfurt and Düsseldorf stock exchanges.
- During this trading period shareholders who were not considered in the allocation process because their bids were too low can buy conversion warrants on the stock exchange and participate in the conversion.
- Non-shareholders who want to participate in the conversion can also buy warrants and have to acquire a corresponding number of preference shares.
- When the trading period is over, shareholders can present their preference shares to their bank together with the corresponding number of conversion warrants within a certain time period. The actual conversion will then take place.



RWE is:

- Europe's largest private energy utility
- Worldwide market leader in the extraction and refining of lignite
- Market leader worldwide in printing systems
- Number 1 worldwide in energy engineering consultancy services
- Europe's number 1 manufacturer of operating tables
- Number 1 in Germany in waste management
- Number 2 in Germany in construction and civil engineering
- Number 3 in Germany in petroleum product sales
- Number 3 in Germany in electrical plant and network engineering
- Number 3 in the US in the extraction of hard coal

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RWE Energie, Rheinbraun, RWE-DEA, RWE Entsorgung, LAHMEYER, RWE Telliance, HOCHTIEF **RWE** The Group That Knows How.

MEPC disposes of US malls for $871m

By Norma Cohen

MEPC, the UK's third largest property company, said yesterday it had agreed to sell its portfolio of eight US regional shopping malls for $871m, putting in place a key element of its plan to sell its non-UK assets.

The price, 9 per cent higher than book value at its year-end last September 30, was better than analysts had expected. MEPC's share price closed 8p higher at 611p.

The malls were sold to General Growth Properties, a fast-growing Chicago-based real estate investment trust which is the US's second largest owner of regional shopping malls.

MEPC has yet to sell its remaining US real estate, a collection of office and industrial properties in Dallas, Texas and Minneapolis, Minnesota. James Tuckey, chief executive, said the sale of the shopping malls should be completed in June, with the balance sold soon after.

The company has said it intends to use a portion of the sale proceeds to return at least £300m to shareholders, probably in the form of a share buy-back.

In February, MEPC announced the sale of about 70 per cent of its Australian real estate portfolio for £205m, less than had been expected, and said it would have to retain some properties until domestic market conditions improved. That news disappointed those who had been demanding MEPC take steps to improve returns to shareholders which, for most of last year, had lagged the sector.

Last September, the company announced a significant restructuring, including disposal of overseas assets, a cut in its dividend, a share repurchase programme and a refocusing of its domestic portfolio on larger properties. It is expected that MEPC will look to conclude a share buy-back in the autumn.

James Dundas, finance director, said the company would use some sale proceeds to repay dollar-denominated debt. MEPC has £48.7m in mortgage bonds due 2003 which are likely to be redeemed.

Separately, Mr Tuckey said the company would realise a small amount of additional cash after selling its $449.3m commercial mortgage-backed US securities portfolio and using the proceeds to repurchase $380m of preferred shares, known as DARTs. The preferred shares had been issued to allow MEPC to take advantage of so-called US tax "loss carry-forwards" which it could not otherwise use.

Tesco warns of tough times

By Peggy Hollinger


Terry Leahy inspects the produce at one of the group's London stores — Lydia van der Meer

Tesco, the UK's largest supermarket group, yesterday warned of a tougher UK trading environment in 1998 as it reported a further rise in underlying annual profits and set out its ambitions to be a market leader in central Europe.

Terry Leahy, chief executive, said the year ahead would be "a challenging one".

He predicted that efforts by rivals such as Safeway and J Sainsbury to revive sales growth would create volatility in the sector, while changes in the economy would also hit food retailers. "It looks as if the rate of consumer expenditure will be lower in 1998 and that will affect us," he said.

However, he said Tesco was well placed to continue to make steady progress.

The group planned to double its overseas investment this year, allocating some £200m ($336m) in capital spending to Northen Ireland and the Republic, as well as central Europe. However, the more aggressive investment in Hungary, Poland, the Czech Republic and Slovakia would mean heavier than expected losses there of about £13m this year against a £1m loss last year.

Mr Leahy's comments came as Tesco reported a 10.9 per cent jump in annual pre-tax profits to £832m, before exceptional items, on sales 18.7 per cent ahead to £17.8bn for the 53 weeks ended February 28.

Excluding the extra week, group pre-tax profits rose by 8.9 per cent to £817m on sales 16.4 per cent ahead to £17.4bn.

SIM to revamp £2.9bn fund

By Jane Martinson

Schroder Investment Management, one of the UK's biggest pension fund managers, is to revamp its £2.9bn ($4.8bn) shop-window fund in a bid to improve a performance which has seriously lagged the industry in the past year.

The company, which has total assets of £106.9bn, is to make management changes to the fund – its largest – at the same time as converting it into an unusual investment vehicle designed to offset tax changes introduced in last year's Budget.

David Salisbury, chairman of SIM, said the pooled fund, which invests on behalf of 760 pension schemes, would be run "more directly in line with our mainstream approach."

The fund returned 12.1 per cent last year, putting it in 59th position out of 67 funds measured by Caps, which charts performance. In contrast, its average fund run for individual clients returned 16 per cent.

Schroders has resented the fact that the performance of the fund has put it in the same league as the three other big fund managers which have suffered performance problems recently.

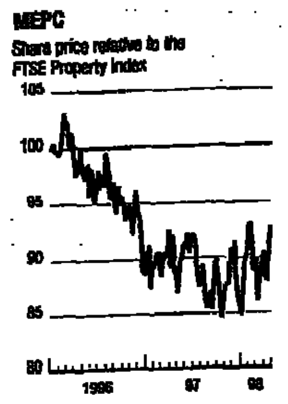
SIM said that the new fund structure, called a Pension Fund Pooling Vehicle, would save investors 25 basis points a year.

The fund's old structure – based on management through several unit trusts – suffered from an unfair tax treatment as all income, including from bonds, was treated as if it derived from equity dividends. The government abolished the dividend tax credit last July.

Nicola Ralston, managing director of the UK division, said the changes would "unwind an inadvertent tax disadvantage."

COMMENT

MEPC



When the fuse was lit under MEPC more than a year ago, it was questionable whether the firework would sparkle or fizzle out. Shareholders inured to years of underperformance would have suspected the latter. But since the semi-refreshed board switched to sorting out its own problems, as opposed to exploring an escape by merger, the delivery rate has picked up. The $871m sale of its US retail portfolio is the best example of that. At a 9 per cent premium to book value, it mops up disappointment over the £205m Australian disposal at a 10 per cent discount. Disposal proceeds should total about £1.2bn, nearly £500m more than MEPC has spent on UK acquisitions and developments. The question is: will it stick at returning £300m to shareholders? At that level it could spend a further £300m on acquisitions within its 80 per cent gearing limit. With the UK property market riding high, a bigger buy-back would provide better underpinning for a catch-up on its peers as well as reducing pressure on James Tuckey, the chief executive.

Tesco

Those searching for a chink in Tesco's armour will not have been encouraged by yesterday's figures. Market share is up to 15.2 per cent, a formidable leadership position it shows no sign of relinquishing. The increase in like-for-like sales – 6.1 per cent in UK stores – is comfortably above the 3-4 per cent for the sector. Meanwhile, the modest 0.3 percentage point increase in gross margin is a reminder that the company continues to eschew richer margins in favour of investment, in price, service and stores, which fuels further sales gains as the virtuous circle ratchets remorselessly on.

For investors, there are two snags: trading is likely to get tougher, and the market seems fully apprised of the good news. A multiple of about 22 times 1998-99 earnings, or a 10 per cent premium to the market, is certainly demanding by historic standards. But is this the right benchmark? After all, top French retailer Carrefour, helped by emerging market exposure, enjoys a p/e rating of 35. If Tesco can create value through its ventures into new products (non-food and financial services) and areas (central Europe), it can close this gap. Perhaps the advent of the EU's single currency will help start the process.

SmithKline rules out talks re-run

By Daniel Green

Jan Leschly, chief executive of drugs company SmithKline Beecham, has all but ruled out a return to merger talks with UK rival Glaxo Wellcome.

That deal is "not going to happen", he said yesterday, almost two months after the collapse of the merger talks that would have created the world's largest drugs company.

He said there had been an "absence of trust" following the talks breakdown, which he blamed on Glaxo. "We had a merger of equals. Glaxo broke the deal."

However, last week Jean-Pierre Garnier, SmithKline's chief operating officer, said that "a merger remains an attractive option for boosting shareholder value."

Mr Leschly's comments contributed to a 40p fall in SmithKline's share price to 691p yesterday.

The shares were also depressed by a modest first quarter performance. Sales were up 8 per cent from £1.84bn to £1.89bn ($3.15bn) excluding currency movements. These were in line with the increase across the pharmaceuticals industry.

Pre-tax profits rose from £409m to £440m, an 8 per cent increase excluding currency movements.

Earnings rose 6 per cent from 4.9p to 5.2p, and a 10 per cent increase in the dividend to 2.425p was proposed.

Halifax warns on market share

By Christopher Brown-Humes

Halifax, the UK's biggest mortgage lender, yesterday warned that "unrelenting" competition in mortgage markets would delay a recovery in its market share.

The group has taken less than its traditional 19 per cent market share in each of the last three years. Last year it achieved only 6 per cent of net new lending.

It blamed that on disruption caused by its conversion to a bank, and only a month ago implied its share would be back to the "high teens" by the end of the year.

Yesterday, however, Jon Foulds, chairman, acknowledged this was unrealistic.

Analysts said the statement reinforced the view that the big banks were losing the mortgage war to mutuals. Bank of England figures show building societies wrote £1.2bn ($2bn) of net new mortgages in January and February, well above their share of the stock of outstanding mortgages. Mutuals claim they can offer better rates because they do not have to pay dividends.

One bank analyst said: "It looks rather bleak for the Halifax and it underlines the urgency of their need to diversify."

Halifax shares fell 17p to 826p. The bank has bought back 21.7m shares at an average of 933p since it launched a £1bn buy-back programme in early March.

The acquisitive way to climb the ladder of the global paints industry

Roger Taylor looks at how Akzo Nobel will benefit if it buys Courtaulds

Ove Mattson, head of the coatings business of Dutch group Akzo Nobel, is free of doubts over Akzo's decision to secure its title as the world's largest paints business by buying Courtaulds.

He brushes aside attempts to get him to put a value on the benefits he expects from the acquisition.

"Quantification is meaningless," he exclaims. "It is better just to go for it. The industrial paints business is becoming global and you have to get your foothold in the next few years if you want to be part of it."

The race for global domination of the paints industry is gathering speed and the gap between the leaders and the rest of the pack is widening. In 1979, PPG of the US was the world's biggest paints company, producing 350m litres a year – a little more than twice the output of Courtaulds, which was then the ninth biggest.

After buying Courtaulds, in a (£1.8bn) $3bn agreed bid announced on Monday, Akzo will produce 1.2bn litres of paint a year. Almost 20 years of consolidation of what were once national markets has changed the face of the industry.

The pressure is greatest in industrial markets where customers are often global. Courtaulds is a leader in the manufacture of a number of industrial paints including marine, aerospace and powder coatings, used to cover white goods. Akzo's coatings side is mainly in decorative paints: the acquisition would give it a leading position in many industrial markets.

Akzo believes the decorative paints market remains largely national or regional although this part of the business has also become subject to globalisation with ICI setting out to build a dominant world position.

Mr Mattson says the need to be global in industrial markets has little to do with easily quantifiable cost savings and synergies. It is about the "soft values that have a very heavy impact". It is about being taken seriously by big customers, about benchmarking yourself against best practice worldwide, and having a grasp of the world market.

Akzo can point to some more tangible benefits. For example, Courtaulds has a much bigger presence in Asia and Akzo will be able to use its greater distribution network to sell its products. Also, Akzo and Courtaulds both have strong positions in aerospace that will be reinforced when combined.

But Mr Mattson also pointed to less tangible effects that being global is expected to have. "You move faster and you know your way around the industry", he said, adding: "It will have a major impact on how we operate worldwide."

Such talk makes analysts nervous. They worry it might persuade companies to overpay for businesses in the hope of gaining a strategic advantage. This has been an important issue for the much of the chemicals industry – not just paints. Chemicals companies have traditionally produced a wide range of different products but recently, the trend has been to focus on just a handful of core areas. As companies rush to gain a strong position in their chosen markets, the prices paid for assets have been rising.

Most analysts do not regard Akzo as overpaying with its 450p-a-share offer. The company calculates the deal will be immediately earnings-enhancing and that the investment will cover the cost of capital – albeit at the subdued level of 6.5 per cent following a sharp increase in gearing to pay for Courtaulds. Interest cover is set to fall as low as five times, but the company is believed to view this as sustainable. It is about 22 times earnings on forecast profits of £110m for the year to March 31 1998.

The move towards globalisation has produced plenty of opportunities to buy. There are a limited number of companies that are committed to the market – including Akzo, ICI, PPG, Sherwin-Williams, and DuPont. Sherwin-Williams specialises in decorative paints in the US market. DuPont, which does not feature among the top 10 companies in terms of volume, ranks as sixth largest in terms of sales value.

There are also a large number of smaller companies, most of which are assumed to want to sell out. In addition, there are paints operations within large groups, such as Herberts, part of Hoechst, which are likely to be spun-out or demerged.

The race for global positions could yet see Courtaulds shareholders get far more than 450p for their shares. There is no other paints operation of similar size that is on the block.

The possibility remains that one of the other big paints companies will decide its own strategic interests are at risk and step in with a higher bid. PPG and DuPont of the US are suggested as possibilities, although they would be faced with the difficulty of dealing with Courtaulds' other operations in fibres and polymers.

But if Courtaulds shareholders are lucky, they will take an even more bullish view than Mr Mattson about the value of a global presence.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bickle (James)	6 mths to Feb 28	25.9	(19.8)	0.728	(0.621)	5.63	(4.27)	2.31	June 3	2.31	-	6.35
Ferraris	6 mths to Feb 28	11.8	(10.3)	0.713	(0.626)	4.7	(3.9)	1.4	July 30	1.2	-	3.2
Finlay (James)	Yr to Dec 31	178.5	(169.2)	14.2♠	(12♠)	10.4	(6.8)	2.35	July 1	2.15	4.15	3.65
Havelock Europa	Yr to Dec 31	78.2	(67.7)	6.02	(5.9)	14.8†	(14.6)	3	July 7	2.85	4.75	4.3
Jackson	Yr to Dec 31	98.8	(81.6)	3.01♥	(1.31)	9	(3.9)	2.1	July 2	1.4	3.2	2.1
Jerome	Yr to Dec 31	35.7	(33.4)	0.566♠	(1.14♥)	2.8	(3.1)	2.25	June 5	2	3.375	3
Narborough Plants	6 mths to Dec 31	0.166※	(0.23※)	0.32	(0.088)	2.25	(0.5)	0.54	June 29	0.35	-	1.19
Princedale	Yr to Dec 31	57.8	(55.1)	0.761L♠	(3.53)	0.89L	(3.71)	0.15	June 18	0.7	0.55	1.1
St Ives	6 mths to Jan 30	179.6	(163.6)	24.2	(23.6)	16.27†	(15.84)	3.75	June 5	3.4	-	11.6
SmithKline Beecham	3 mths to Mar 31	1,889	(1,838)	440	(409)	5.2	(4.9)	2.425‡	July 15	2.205‡	-	9.945‡
Tesco	53 wks to Feb 28 ☆	16,452	(13,887)	728♠	(750)	23.1	(24.1)	8.05	July 1	7.1	11.6	10.35
United Overseas	Yr to Dec 31	91	(76.4)	8.44	(6.31)	4.51	(4.61)	0.76	June 1	-	1.14	-
Waste Management	3 mths to Mar 31	223.4	(277.9)	37.4	(33.9)	3.1	(4.5)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore VCT	Yr to Feb 28	104.9	(101.5)	0.798	(0.686)	4.05	(3.49)	1.8	May 29	1.7	3.6	3.2
Guinness Flight VCT	Yr to Feb 28	98.49	(95.25)	0.868	(0.228)	3.08	(2.42)	1.6	June 2	1.1	2.7	1.9
Intl Biotech	6 mths to Feb 28	-	(-)	0.173L	(0.587L)	0.64L	(1.24L)	-	-	-	-	-
Jove	Yr to Feb 28	63.41	(38.21)	1.17	(0.933)	8.28	(6.59)	5.7‡‡	May 29	4.1大	9大	7.3大

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAlm stock. ※Gross income. ☆Comparatives for 52 weeks to Feb 22 1997. ‡‡Includes 2p special. 大Includes 0.5p foreign income dividend. ‡Includes foreign income element.

DEPARTEMENT DE LA GUADELOUPE FRF 56 000 000
TAUX VARIABLE ECHEANCE 2000
ISIN CODE : XS0053466909

For the period April 20, 1998 to October 19, 1998 the new rate has been fixed at 4.75 % P.A.
Next payment date : October 19, 1998
Coupon nr : 8
Amount :
FRF 12 006.94 for the denomination of FRF 500 000.00

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST S.A.
11-13, avenue Emile Reuter
L-2420 LUXEMBOURG

NOTICE OF MEETING

Notice of meeting of Marine and General Mutual Life Assurance Society

Notice is hereby given to the Members that the 146th Annual General Meeting of the Society will be held at MGM House, Heene Road, Worthing, West Sussex BN11 2DY on Friday 12 June 1998 at 12.30 pm for the following purposes:

1. To receive the Directors' Report and Financial Statements for the year ended 31 December 1997.
2. To consider the election of directors.
3. To re-appoint KPMG Audit Plc as auditors of the Society and to authorise the directors to fix their remuneration.
4. To transact any other business.

By Order of the Board
A J Carr, Secretary
27 March 1998

Each member may attend and vote in person or by proxy at meetings of the Society. A proxy need not be a member of the Society.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Prices for Trading on 22.04.98 — Final Prices for Trading on 21.04.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.69	18.30	18.18	1.06
0100	15.69	18.30	18.18	1.06
0130	16.22	18.69	18.57	1.06
0200	25.13	18.69	18.57	1.06
0230	25.13	18.69	18.18	1.06
0300	25.13	18.17	18.05	1.06
0330	25.13	18.17	18.05	1.06
0400	17.00	18.17	18.05	1.06
0430	17.00	17.58	17.48	1.06
0500	16.22	16.10	16.10	0.00
0530	15.69	16.03	16.03	0.00
0600	15.68	16.04	16.04	0.00
0630	15.66	16.04	16.04	0.00
0700	15.70	16.07	16.07	0.00
0730	21.30	17.83	17.71	1.06
0800	22.15	23.36	23.24	1.06
0830	37.11	24.37	24.28	1.06
0900	37.38	24.55	24.51	1.06
0930	23.84	24.79	24.80	1.06
1000	24.06	24.82	24.88	1.06
1030	24.37	24.90	24.96	1.06
1100	24.86	24.95	25.06	1.06
1130	25.96	36.94	37.05	1.06
1200	40.02	37.05	37.20	1.06
1230	39.81	36.92	37.03	1.06
1300	38.21	33.99	34.02	1.06
1330	29.86	24.63	24.59	1.06
1400	29.20	24.57	24.51	1.06
1430	29.06	32.00	31.93	1.06
1500	28.98	31.96	31.90	1.06
1530	22.06	24.50	24.42	1.06
1600	36.24	24.56	24.49	1.06
1630	36.49	24.70	24.66	1.06
1700	36.60	33.97	34.00	1.06
1730	36.35	33.93	33.94	1.06
1800	36.98	33.79	33.76	1.06
1830	31.82	17.47	17.47	0.00
1900	31.74	26.57	26.60	1.06
1930	31.73	64.06	64.43	1.06
2000	15.71	63.83	64.15	1.06
2030	18.25	62.83	62.81	1.06
2100	33.42	25.29	25.19	1.05
2130	33.42	25.34	25.12	1.06
2200	33.40	25.23	25.11	1.06
2230	31.67	18.50	18.38	1.06
2300	31.66	18.10	18.10	0.00
2330	16.23	17.48	17.36	1.06
2400	16.23	17.48	17.35	1.06

هكذا من الأصل

DE BEERS : SHAPING THE DIAMOND WORLD OF THE FUTURE

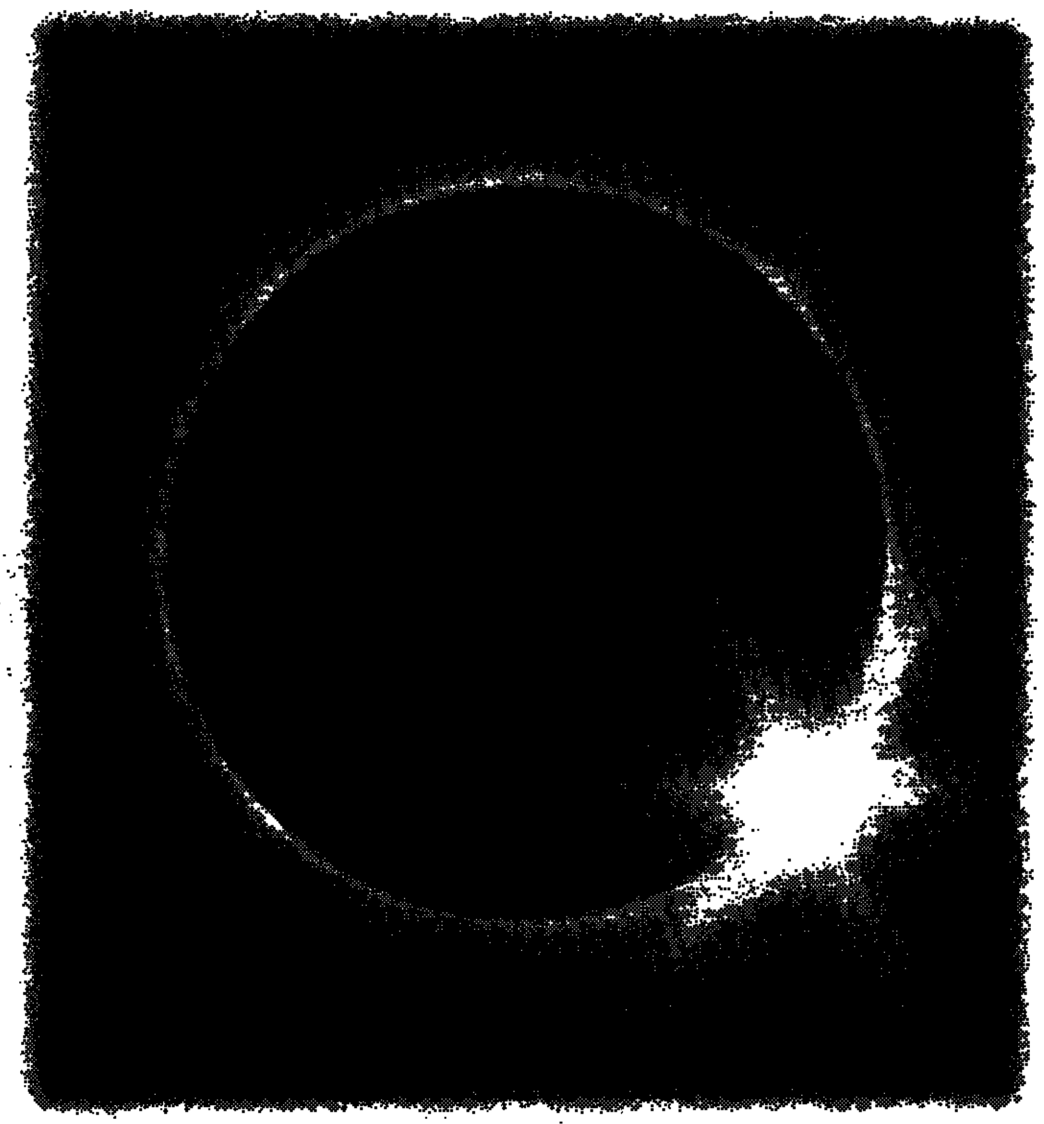
POINTS FROM NICKY OPPENHEIMER'S 1997 CHAIRMAN'S STATEMENT

The past year - during which the De Beers Central Selling Organisation achieved record sales in the first half of 1997 and the lowest second half sales since 1994 - was a challenging time for the diamond industry. De Beers again showed that it comes into its own when the industry is under stress, moving decisively in the face of economic turmoil in the Far East to restore sentiment in the cutting centres by a sustained reduction in the size of its sights. The fact that the industry looks to De Beers for leadership and comfort in times of turbulence is a tribute to its management of the market and we will continue to ensure that this trust is not misplaced.

In October after protracted negotiations, Almazy Rossii-Sakha (Alrosa) and De Beers signed a new trade agreement which reaffirmed their mutual recognition of the importance of single channel marketing, even as it re-established full co-operation between the world's two major diamond producers.

Despite the downturn in Asia, the number of diamond jewellery pieces purchased in 1997 and the amount spent by consumers in local currencies both equalled the 1996 figure. The sharp decline in many Asian currencies, however, resulted in a four per cent decline in US dollar terms in the value of rough gem diamond sales by the Central Selling Organisation. At US$ 4 640 million, these were, nevertheless, the second highest annual sales on record. Although De Beers' headline earnings were up one per cent at US$ 1 044 million, total net earnings were nine per cent lower at US$ 1 229 million. Diamond stocks were reduced by six per cent, reflecting both increased market share and the high level of first half-year sales. The dividend was maintained at 102.8 US cents per De Beers/Centenary linked unit by reducing the cover on an attributable earnings basis.

The problems in the Far East have once again focused attention on the importance of the American market, which accounts for more than a third of world diamond consumption by value. In 1997 that market saw encouraging growth of up to eight per cent in retail sales of diamond jewellery and we hope for further growth in 1998. Moreover, problems in the Far East, while pressing, are not permanent and economists expect a resurgence of growth in Japan once the process of economic re-structuring is complete.



"The eclipse of the sun came to an end with an effect known as 'the diamond ring'. It shows the sun just beginning to gleam once more from behind the moon".
NEWS REPORT ON THE SOLAR ECLIPSE ON 26 FEBRUARY 1998

1998 will, however, pose even greater questions before the economic storm in East Asia blows itself out. The reduction in stocks in 1997, the quota arrangements with contracting producers and the strength of the De Beers balance sheet and banking arrangements give us the resources to manage the downturn currently affecting the industry. Under any foreseeable scenario, the De Beers Group will continue to produce about 50 per cent of the world's gem diamonds by value from some of the lowest cost diamond mines in the world. We also have the distribution network to manage the marketing of this production and any additional goods bought under contract or on the open market. De Beers will use the year ahead to prepare itself not only for the expected major recovery in world demand, but also to devise new ways of preserving the single market by deploying its unique marketing skills on behalf of its own core producers and its own clients.

During 1997 several major developments in the De Beers Group ensured that we would retain our competitive edge. These included the Orapa 2000 Project which will lift Debswana's total production to 25 million carats a year from the year 2000, and is proceeding according to schedule.

Co-operation with the governments of African countries to help them realise and benefit from their diamond resources remains central to the Group's future plans and interests. De Beers applauds Deputy President Mbeki's vision of an African renaissance and believes that De Beers can play a key role in contributing to that renaissance.

As the only mining company with the skills and the knowledge to mine diamonds under all conditions - from desert to deep sea - and in every type of mine from underground to open cast and beach, the Group is also determined to extend its global reach and is well poised to shape the diamond world of the future.

The full Chairman's Statement and the Annual Reports of De Beers Consolidated Mines and De Beers Centenary for the year ended 31st December 1997 have been posted to registered shareholders. Copies may be obtained by writing to the London Secretaries at the address below. The Chairman's Statement may also be accessed on the Internet at http://www.edata.co.za

DE BEERS

A DIAMOND IS FOREVER

De Beers Consolidated Mines Limited (Incorporated in the Republic of South Africa), London Office: 19 Charterhouse Street, London EC1N 6QP. De Beers Centenary AG (Incorporated under the laws of Switzerland), Head Office: Langensandstrasse 27, CH-6000 Lucerne 14, Switzerland.

European rate convergence talk hits prices

GOVERNMENT BONDS

By John Labate in New York and Simon Davies in London

Speculation of an imminent shift towards convergence in European interest rates, combined with continued profit-taking on Wall Street, sent prices drifting further downwards yesterday.

US Treasuries came under pressure from several fronts, including the falling value of the dollar. By early afternoon the benchmark 30-year Treasury bond had lost $\frac{3}{16}$ to $102\frac{17}{32}$, sending the yield up to 5.942 per cent.

The continuing issuance of substantial amounts of corporate debt has been taking some attention off Treasuries. "A lot of corporate deals are being priced, yesterday, today, and all this week," said David Ging, market strategist at Donaldson, Lufkin & Jenrette.

Also helping to weaken bonds was the falling dollar, as speculation mounted that German interest rates were heading higher.

In addition, a Federal Reserve board governor made some bearish morning comments, warning that the Fed would have to make a move unless the Asian crisis slows US economic growth.

Among shorter-term issues two-year notes fell $\frac{1}{16}$ to $99\frac{13}{16}$, yielding 5.601 per cent and 10-year notes lost $\frac{1}{32}$ to $99\frac{23}{32}$, yielding 5.671 per cent.

In Europe, the timing and positioning of the convergence of interest rates among the future Emu members continued to be the focus of market activity.

"There is a little concern about joint action on rates around the Emu-selection weekend in May. The argument is that it would enhance co-operation. But I don't think the Bundesbank is ready to tighten," said Philip Tyson, bond strategist at HSBC Markets.

Markets have also been rattled by the dispute over the future presidency of the European Central Bank, and its implications for the likelihood of coherent economic policy.

GERMAN BUNDS made a weak start on speculation of a buoyant Ifo business confidence survey. In the event, the survey was in line with expectations, but M3 money supply data that came out afterwards were stronger than anticipated and the market never recovered.

In London, the June future settled 0.24 lower at 107.34, and the German market continued to underperform most of Europe.

Given concern that the Bundesbank may raise rates in early May, shorter maturities continued to underperform, although longer-dated bonds were hit by weakness on Wall Street.

ITALIAN BTPs traded in line with the German market, after inflation data from a number of sample cities came in line with expectations.

However, the market will clearly get a boost from the unexpected decision by the Bank of Italy to cut its discount rate by 50 basis points to 5 per cent. The June contract settled at 119.13, down 0.27.

The Irish bond market has been disproportionately hit by concerns over the timing of convergence. Don McLaughlan, of ABN Amro Securities, said it offered value for those expecting an imminent move on interest rate convergence, and this should gain greater credence following the Bank of Italy's move.

However, there have been growing fears that interest rate cuts have been put back until closer to the launch of the euro, leaving the prospect of considerable further underperformance.

UK GILTS outperformed bunds, after the release of inflation data in line with market expectations at 2.6 per cent for March.

The June contract settled $\frac{5}{32}$ lower at 109¼, after trading in a range of just nine basis points throughout the day, but there was a little more activity, with more than 66,000 contracts traded.

The spread against bunds narrowed by four basis points to 96 points, taking it back to levels it reached last October in a fit of European monetary union optimism.

However, traders warned that the spread looked to be at the bottom of the range. Analysts said next month's inflation data could show a blip towards 4 per cent, mainly due to tax increases.

Ford Credit increases offering to $3.25bn

INTERNATIONAL BONDS

By Edward Luce

Ford Credit broke several records yesterday with the largest corporate offering in recent years. The $3.25bn deal – increased from a planned $2.5bn – is the latest in a series of jumbo offerings, but the first significant jumbo deal from a US corporate.

"The market clearly wants big liquid deals," said an official at Salomon Brothers [joint lead with Bear Stearns] in New York. "We're not saying we got a tighter spread on the deal than we would otherwise, but clearly there was a lot of demand out there for a big deal."

About 60 per cent of the $2.25bn five-year fixed-rate portion went to US investors, with the most of the remainder bought by European institutional investors. The distribution was reversed for the $1bn seven-year floating-rate portion.

Ford swapped the proceeds from the fixed-rate tranche. "On an all-in cost basis it made more sense to increase the five-year part of the deal," said the banker.

Both tranches – priced to yield a spread of 55 basis points over the relevant Treasury and 18.75 basis points over three-month Libor respectively – tightened by around one basis point yesterday afternoon.

RUSSIA made its debut in the lira market with a L500bn five-year offering. The deal – also the first by an eastern European borrower in lira – came at an awkward moment for Russia in the wake of the decision last week by the Russian parliament to reject for the second time Sergei Kiriyenko's nomination as prime minister.

Given Italy's queueing system for bond issues, Russia was unable to alter the timing of the offer, although it did reduce its size by L250bn.

An official at J.P. Morgan said the deal was priced roughly flat to the current spread of Russia's closest benchmarks in D-Marks and US dollars at 435 basis points over US Treasuries on a swaps basis.

The deal, which has been much awaited in Italy, was Russia's fifth eurobond and its second since the markets crisis last October.

An official at Credito Italiano, joint lead, said the offering was targeted at institutional investors. "Investors were generally comfortable about the situation in Russia," he said. The deal tightened after launch.

SWEDEN became the fourth European sovereign to tap the euro-denominated market with its much-awaited E2bn debut.

The 11-year bond, lead-managed by Paribas, J.P. Morgan and SBC Warburg, was priced at 11 basis points over the curve, about three basis points tighter than the secondary market spread of Italy's euro-denominated benchmark. It tightened to a spread of 9.75 basis points over the 10-year OAT benchmark last night.

Finland and Slovenia are expected to issue euro-denominated bonds over the next few weeks.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
General Motors Corp	500	(a,‡)#	(a)R	May 2005	0.40R	+58-60	Bear Stearns/Merrill
General Motors Corp	500	(a,‡)#	(a)R	May 2008	0.45R	+78 area	Bear Stearns/Merrill
General Motors Corp	500	(a,‡)#	(a)R	May 2028	0.875R	+90 area	Bear Stearns/Merrill
Procter & Gamble Co	500	6.125	99.917R	May 2008	0.35R	+40(5⅝Feb08)	JP Morgan Securities
KfW International Finance(b)	500	5.625	99.803R	Feb 2003	0.25R	+20(5½Mar03)	Commerzbank/MSDW
GECC	300	5.75(i)	99.76R	May 2001	0.1875R	+18(5⅝Feb01)	SBC Warburg Dillon Read
D-MARKS							
CS Financial Products(c)‡	75	(c1)	99.413	undated	0.50	+116(Jan08)	CSFB
ITALIAN LIRE							
Russian Federation	500bn	9.00	98.71R	Apr 2003	0.875R	+435(swaps)	Credito/JP Morgan Secs
GUILDERS							
Reseau Ferre de France(d)	1bn	5.25	(d)R	Apr 2010	0.35R	+20(7¼Apr10)	ABN Amro
EUROS							
Kingdom of Sweden(e)	2bn	5.00	98.737R	Jan 2009	0.325R	+11(i)	JPM/Paribas/SBCWDR
AUSTRALIAN DOLLARS							
National Australia Bank	100	5.625(s)	101.165	Dec 2002	1.75	-	TD Securities
SWEDISH KRONOR							
Crédit Local de France	500	5.25(i)	101.90	Nov 2003	1.875	-	BIL
SOUTH AFRICAN RAND							
European Investment Bank	300	12.25	101.777	May 2003	2.00	-	RBC DS Global Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. b) Fungible with $1bn. Plus 71 days accrued. c) DM325m launched 15/4/98 increased to DM400m. Callable from 8/5/08 at par. c1) 6% to 8/5/08, then 3-mth Libor +190bp. d) Fungible with E1bn upon Emu. Plus 22 days accrued. Priced today. e) Fungible with SKr3bn to be issued upon Emu. Plus 90 days accrued. Pays in Ecu prior to Emu. Spread relates to French govt Ecu bonds. i) Over interpolated yield. i) Long 1st coupon. s) Short 1st coupon.

NEWS DIGEST

EUROPEAN STOCK MARKETS

Euro.NM to harmonise regulations ahead of euro

Euro.NM, the European alliance of stock markets for high-growth companies, will today announce a wide-ranging harmonisation of listing, reporting and trading rules to enhance integration of its four member markets ahead of the launch of Europe's single currency.

The measures include reducing the duration of lock-ins for management and founding shareholders, maximum spreads for market-makers, the publication of accounts to internationally accepted standards, and a minimum free float of 20 per cent of an issuer's shares.

The harmonisation is part of a drive by the alliance's members – the Nouveau Marché in Paris, the Neuer Markt in Frankfurt, and the high-growth arms of the Amsterdam and Brussels stock exchanges – to offer a single market infrastructure in which companies in Europe's high technology and other growth sectors can raise cross-border capital.

The listing currency for the four markets after January 1 next year will be the euro, while company prospectuses must reach minimum European Union standards and be published in English as well as the relevant national language.

The package of measures has been planned ever since the four exchanges joined forces last year to take on Brussels-based Easdaq, which claims to be Europe's equivalent to Nasdaq of the US, in seeking listings of high-growth stocks.

The Euro.NM alliance now has 76 listed companies that have raised $1.5bn and have a combined market capitalisation of $18bn, while Easdaq has 26 listed companies, has raised $1.21bn and has a market capitalisation of $11.9bn.

The harmonisation agreement involved concessions by all four markets, which were established using their own listing and reporting requirements. It follows the full technological integration earlier this year of the Paris and Brussels high-growth markets. Frankfurt and Amsterdam are due to be linked up with them by the end of this year.

Euro.NM is also in discussions with the Stockholm, Madrid and Milan stock exchanges about expanding the alliance to include other high-growth markets. **Vincent Boland**

THAI FOOTWEAR

Wongpaitoon raises $100m

Wongpaitoon Group, a Thai footwear manufacturer, has raised $100m in new financing by securitising its future export receipts in a deal arranged by Daiwa Securities America.

Securitisation is rare in Thailand but with exporters short of working capital and trade finance and domestic banks conserving funds, analysts expect to see more companies with hard currency revenues following Wongpaitoon.

Daiwa will lend $100m to Wongpaitoon now and be repaid over five years. The companies did not say what interest rate the Thai company would be charged. The company is one of the largest producers of Reebok shoes and has confirmed export orders for the next six months, the company said. **Ted Bardacke, Bangkok**

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Apr 21	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.7540	4.98	-	+0.07	-0.01	-1.45
	10/07	10.000	130.9722	5.68	+0.02	+0.08	-0.04	-2.16
Austria	09/99	7.000	103.8000	4.14	-0.02	-0.02	+0.09	+0.19
	07/07	5.625	104.6500	4.98	+0.03	+0.04	+0.05	-0.90
Belgium	01/00	4.000	99.6700	4.19	-	+0.07	+0.13	+0.48
	03/07	6.250	108.9500	4.98	+0.02	+0.03	+0.05	-0.99
Canada	09/99	4.750	99.6500	5.01	+0.04	+0.11	+0.12	+0.13
	06/07	7.250	113.8000	5.32	+0.02	+0.08	-0.01	-1.41
Denmark	12/99	8.000	102.4700	4.38	-0.01	-0.05	+0.11	+0.25
	11/07	7.000	113.8800	5.11	+0.02	+0.03	-0.01	-1.47
Finland	01/99	11.000	104.8837	3.82	+0.02	+0.07	+0.12	-
	04/06	7.250	115.2822	4.89	+0.02	+0.04	+0.05	-1.43
France	01/00	4.000	99.7500	4.14	-	+0.02	+0.12	+0.33
	10/04	6.750	111.1400	4.71	+0.02	+0.05	+0.08	-0.65
	10/07	5.500	104.1900	4.93	+0.03	+0.05	+0.05	-0.87
	10/25	8.000	107.8100	5.44	+0.04	+0.04	+0.02	-1.25
Germany	09/99	4.000	99.8700	4.01	-0.01	+0.02	+0.13	+0.45
	11/04	7.500	115.0800	4.76	+0.03	+0.07	+0.07	-0.61
	07/07	6.000	107.7700	4.92	+0.03	+0.06	+0.07	-0.85
	07/27	6.500	115.2100	5.45	+0.04	+0.05	+0.04	-1.20
Ireland	04/99	6.250	101.0000	5.12	-	+0.30	+0.68	-0.77
	08/06	8.000	119.2700	5.09	+0.02	+0.07	+0.06	-1.68
Italy	05/00	6.000	102.8400	4.53	-	+0.01	+0.04	-2.34
	05/02	6.250	105.4900	4.74	-	+0.02	+0.06	-2.44
	07/07	6.750	112.1800	5.07	+0.02	+0.02	-0.02	-2.58
	11/26	7.250	124.1800	5.55	+0.01	+0.01	-0.08	-2.34
Japan	03/00	6.400	111.0000	0.55	-0.01	-	-0.05	-0.19
	12/02	4.800	116.5900	1.12	+0.01	-0.02	-0.06	-0.47
	09/05	3.000	109.8900	1.58	+0.02	-0.04	-0.02	-0.57
	09/17	3.000	109.0200	2.41	-	-0.08	-	-0.47
Netherlands	11/99	7.500	104.9400	4.14	-	+0.02	+0.09	+0.34
	02/07	5.750	106.0100	4.89	+0.02	+0.04	+0.05	-0.86
New Zealand	02/00	6.500	98.1204	7.63	-0.05	-0.32	-0.13	-0.12
	11/06	8.000	107.7517	6.77	+0.01	-0.17	-0.20	-1.27
Norway	01/99	9.000	103.3628	4.41	+0.03	+0.06	+0.10	+0.31
	01/07	6.750	110.0500	5.28	+0.04	+0.03	+0.06	-0.90
Portugal	03/99	8.500	103.7114	4.25	+0.03	+0.07	+0.23	-1.50
	02/07	6.625	111.2100	5.02	+0.02	+0.04	+0.02	-1.79
Spain	07/99	7.400	103.7735	4.25	-0.01	-0.01	+0.12	-1.35
	03/07	7.350	116.3613	5.03	+0.03	+0.04	+0.03	-1.92
Sweden	01/99	11.000	104.4732	4.63	-	-0.03	-0.11	-0.30
	08/07	8.000	120.5388	5.16	+0.03	+0.01	-0.11	-2.09
Switzerland	03/00	5.000	105.7500	1.86	-0.03	+0.02	+0.18	+0.02
	06/07	4.500	110.9200	3.11	+0.07	+0.17	+0.30	-0.56
UK	08/99	6.000	99.1641	6.67	-	+0.11	-0.01	-0.25
	11/04	6.750	104.6250	5.89	-	+0.03	-0.15	-1.56
	12/07	7.250	110.7031	5.78	-	+0.04	-0.13	-1.79
	08/21	8.000	129.3281	5.70	+0.01	+0.03	-0.14	-2.01
US	10/99	5.625	100.0390	5.60	-	-	+0.06	-0.82
	11/04	7.875	111.7730	5.70	+0.02	+0.02	+0.06	-1.05
	08/07	6.125	102.8670	5.72	+0.01	+0.03	+0.08	-1.15
	08/27	6.375	105.8670	5.95	-	+0.01	+0.03	-1.14
ECU	01/00	4.000	99.6700	4.19	-0.01	+0.04	+0.08	-0.24
	04/07	6.500	103.7400	4.97	+0.03	+0.04	+0.03	-1.36

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard. Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Apr 21	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.68	+0.76	+0.03	New Zealand	6.77	+1.85	+1.12
Austria	4.98	+0.06	-0.67	Norway	5.28	+0.36	-0.37
Belgium	4.98	+0.06	-0.67	Portugal	5.02	+0.10	-0.63
Canada	5.33	+0.41	-0.32	Spain	5.03	+0.11	-0.62
Denmark	5.11	+0.19	-0.54	Sweden	5.16	+0.24	-0.49
Finland	4.89	-0.03	-0.76	Switzerland	3.11	-1.81	-2.54
France	4.93	+0.01	-0.72	UK	5.78	+0.86	+0.13
Germany	4.92	-	-0.73	US	5.65	+0.73	-
Ireland	5.09	+0.17	-0.56	ECU	4.97	+0.05	-0.68
Italy	5.07	+0.15	-0.58				
Japan	1.58	-3.34	-4.07				
Netherlands	4.89	-0.03	-0.76				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Apr 21	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	97.5342	7.75	-0.28	-0.16	+2.14
Poland	07/04	7.125	BBB-	102.6179	6.60	+0.14	-	+0.97
Russia	06/07	10.000	BB-	95.4500	10.79	+0.02	+0.18	+5.15
LATIN AMERICA	[illegible]							
ASIA	[illegible]							
AFRICA/MIDDLE EAST	[illegible]							
BRADY BONDS	[illegible]							

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	104.00	103.81	-0.26	104.00	103.73	85,515	111,193
Sep	103.61	103.45	-0.26	103.61	103.61	2	171

LONG TERM FRENCH BOND OPTIONS (MATIF) [illegible]

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100% [illegible]

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% [illegible]

NOTIONAL GERMAN BOND (BOBL) FUTURES (DTB) [illegible]

NOTIONAL GERMAN BOBL FUTURES (LIFFE) [illegible]

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) [illegible]

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) [illegible]

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) [illegible]

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) [illegible]

NOTIONAL UK GILT FUTURES (LIFFE) [illegible]

LONG GILT FUTURES OPTIONS (LIFFE) [illegible]

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% [illegible]

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) [illegible]

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	103.82	103.42	-0.38	103.82	103.82	60	6,062

US CORPORATE BONDS

[illegible]

US INTEREST RATES

[illegible]

UK BONDS

FTSE Actuaries Govt. Securities

[illegible]

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

INTERNATIONAL BONDS

Apr 21	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	105.4000	4.98	+0.04	+0.08	+0.12
Spain	01/07	5.750	AA	104.8400	5.04	+0.03	+0.08	+0.18
Philip Morris	03/04	5.375	A	101.5300	5.07	+0.02	+0.08	+0.44
[illegible]								

D-Mark gains on European recovery

MARKETS REPORT

By Simon Kuper

The D-Mark rose yesterday after strong growth in German M3 money supply added to evidence that European economies are recovering.

The Bank of Italy cut interest rates by 50 basis points after European markets had closed late yesterday. It said interest rates were dropping "towards the lowest levels prevailing in Europe" ahead of the start of European monetary union in January 1999. The bank said it had been able to make the cut because expected inflation was falling towards its target level.

The Italian official discount rate fell from 5.5 per cent to 5.0 per cent, while the Lombard rate dropped from 7.0 per cent to 6.5 per cent. The move pushed the lira down L0.5 against the D-Mark to L988.25. The lower rates take effect today.

European interest rates are expected to converge at 4.0 per cent or just below when Emu kicks off. The German repo rate is now at 3.30 per cent. Edgar Meister, Bundesbank council member, said yesterday that there was no imminent need to raise German rates.

The approach of Emu has been helping the D-Mark in recent weeks. In the days when Emu seemed uncertain, and likely to produce a weak euro, investors fled the German currency for the safe havens of the dollar, sterling and Swiss franc. But now there are only 11 days left before the meeting to decide which countries will launch the euro, and so the fright money is returning to Germany. A survey by Andersen Consulting, which revealed yesterday that almost all European chief executives thought the euro was now irreversible, simply stated the obvious.

The pound plunged to close in London at DM3.000 to the D-Mark, and in later US trading fell just below the DM3 level for the first time since mid-March. Sterling has now lost 4.6 pfgs against the D-Mark since Monday morning. The market is tending towards the view that British base rates have peaked, even though UK March retail prices rose 2.6 per cent year-on-year, just above the government's target of 2.5 per cent.

The dollar fell 1.2 pfgs against the D-Mark and Y0.8 against the yen to close at DM1.790 and Y131.4.

■ The Polish zloty slipped yesterday on a hint that the National Bank of Poland might cut interest rates at today's monetary policy committee meeting.

The zloty has been buoyed throughout 1998 by Poland's interest rates, now at about 25 per cent. With inflation just below 14 per cent, ABN-Amro describes real rates as "extremely high", designed to reduce domestic demand and import growth.

Yesterday Stanislaw Gomulka, adviser to Leszek Balcerowicz, finance minister, said: "The combination of an overly strong zloty and the continued risk of short-term capital inflows imply that the time is right to begin bringing interest rates down to a more reasonable level," he said. "I am expecting some reduction on Wednesday." He noted the fall in inflation in March and encouraging government debt levels.

The zloty was fixed yesterday at an average of 7.31 per cent above its central rate, down from Monday's 7.86 per cent.

However, ABN-Amro said that even if rates fell somewhat they would still be very high relative to the rest of Europe, keeping the zloty attractive.

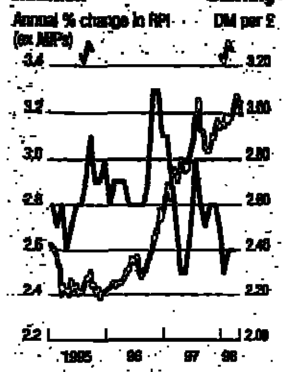
■ Canada has no inflation problem. Retail prices rose just 0.9 per cent in the year to March, even less than expected. Perversely, that could increase chances of a rate rise, says Carl Weinberg, chief economist at High Frequency Economics in New York.

The absence of inflation, Canada's current account deficit and the fact that itsinterest rates are below US levels have all hit the Canadian dollar this year. In January it dropped to its lowest point since it was created in 1858.

In the Bank of Canada's view, the weak currency represents an effective monetary loosening, and so the bank may decide to raise interest rates to compensate. The Canadian dollar dropped 0.3 cents yesterday to C$1.430 against the US dollar.

Inflation — Sterling

Annual % change in RPI (ex MIPs) — DM per £



Source: Datastream/ICV

■ **POUND IN NEW YORK**

Apr 21	—Latest—	— Prev. close —
£ spot	1.6760	1.6760
1 mth	1.6754	1.6736
3 mth	1.6707	1.6687
1 yr	1.6534	1.6506

■ **OTHER CURRENCIES**

Apr 21	£	$
Czech Rp	55.8814 - 55.9717	33.3820 - 33.4000
Hungary	351.415 - 351.667	209.800 - 209.850
Iran	5027.40 - 5025.90	3000.00 - 3000.00
Kuwait	0.5112 - 0.5116	0.3052 - 0.3053
Peru	4.7218 - 4.7291	2.8180 - 2.8220
Poland	5.6783 - 5.6883	3.3900 - 3.3950
Russia	10.2502 - 10.2567	6.1155 - 6.1205
U.A.E.	6.1518 - 6.1554	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.1037	-0.1619	951 - 122	21.2470	21.0770	21.0294	4.2	20.9057	3.8	20.4172	3.3	102.8
Belgium	(BFr)	61.9051	-0.8031	494 - 627	62.3690	61.8400	61.6975	4.0	61.342	3.6	59.9063	3.2	102.0
Denmark	(DKr)	11.4410	-0.0967	366 - 454	11.5173	11.4216	11.4042	3.9	11.342	3.5	11.0935	3.0	104.0
Finland	(FM)	9.1051	-0.0768	979 - 123	9.1640	9.0940	9.0739	4.1	9.0202	3.7	8.8092	3.3	80.3
France	(FFr)	10.0641	-0.0868	475 - 807	10.1259	10.0439	10.0188	4.2	9.9587	3.8	9.7237	3.3	105.5
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.5962	-0.0848	941 - 983	12.6719	12.5780	12.5718	2.3	12.5326	2.0	12.3711	1.8	102.5
Belgium	(BFr)	36.9500	-0.29	250 - 750	37.2020	36.9100	36.8843	2.1	36.7735	1.9	36.298	1.8	101.9
Denmark	(DKr)	6.8288	-0.0448	278 - 298	6.8690	6.8160	6.8177	2.0	6.7983	1.7	6.7253	1.5	103.4
Finland	(FM)	5.4348	-0.0367	318 - 378	5.4657	5.4288	5.4248	2.2	5.4074	2.0	5.3376	1.8	79.8
France	(FFr)	6.0010	-0.0405	985 - 035	6.0392	5.9920	5.9895	2.3	5.9707	2.0	5.8917	1.8	104.9
[illegible]													
			-6.5	500 - 900	1383.00	1374.00	-	-	-	-	-	-	-
			-0.0735	670 - 790	33.9800	32.9550	33.033	-2.2	33.143	-2.1	33.523	-1.7	-
			-0.15	500 - 500	39.6000	39.6500	39.555	-14.0	40.35	-12.8	43.25	-10.6	-

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ Strike Price

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9250	0.06	0.22	0.40	0.05	0.08	0.10
9275	0.01	0.06	0.25	0.25	0.19	0.20
9300	0	0.03	0.12	0.49	0.39	0.32

Est. vol. total, Calls 14927 Puts 2707. Previous day's open int., Calls 236150 Puts 223794

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Bank plc	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association

* In administration

WORLD INTEREST RATES

MONEY RATES

Apr 21	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3½	3⅞	3¾	3⅞	3⅞	6.00	2.75	-
France	3⅜	3½	3⅝	3⅝	3⅝	4.60	-	3.30
Germany	3⅜	3⅝	3⅝	3⅝	3⅞	4.50	2.50	3.30
Ireland	5¾	6⅛	6¼	5⅞	5⅛	-	-	6.75
Italy	5½	5½	5¼	4¾	4½	7.00	5.50	5.63
Netherlands	2⅞	3¼	3⅝	3⅝	3⅞	-	2.75	3.30
Switzerland	1¾	1⅛	1⅝	1⅝	1⅝	-	1.00	-
US	5⅝	5¾	5⅝	5⅝	5⅝	-	5.00	-
Japan	⅜	⅜	⅜	½	½	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5⅝	5⅝	5¾	5⅞	-	-	-
US Dollar CDs	-	5.42	5.45	5.48	5.58	-	-	-
ECU Linked Ds	-	4⅛	4¼	4¼	4¼	-	-	-
SDR Linked Ds	-	3½	3⅞	3⅝	3⅝	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3⅜	3¾ - 3⅝	3¾ - 3⅝	3⅞ - 3¾	3⅞ - 3⅞	4⅛ - 3⅞
Danish Krone	3⅝ - 3½	3⅞ - 3⅞	3⅞ - 3¾	3⅞ - 3⅞	4⅛ - 3⅞	4⅛ - 4⅛
German Mark	3⅝ - 3½	3⅝ - 3¾	3¾ - 3½	3¾ - 3⅝	3¾ - 3⅞	3⅞ - 3¾
Dutch Guilder	3 - 2⅞	3⅜ - 3⅜	3½ - 3⅜	3⅞ - 3⅝	4 - 3⅞	3⅞ - 3⅞
French Franc	3⅜ - 3⅜	3⅝ - 3⅝	3⅝ - 3⅝	3¾ - 3⅝	3⅞ - 3⅝	4 - 3⅞
Portuguese Esc.	4⅝ - 4⅝	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4¾ - 4⅝	4⅝ - 4⅝
Spanish Peseta	4⅝ - 4⅝	4⅝ - 4⅝	4⅝ - 4⅝	4⅝ - 4⅝	4⅝ - 4⅝	4⅝ - 4⅝
Sterling	7⅝ - 7½	7⅝ - 7¾	7⅝ - 7⅝	7⅝ - 7⅝	7⅞ - 7⅞	7⅞ - 7⅞
Swiss Franc	1⅝ - 1⅜	1⅝ - 1⅝	1¼ - 1⅝	1⅝ - 1⅝	1⅝ - 1⅝	1⅞ - 1¾
Canadian Dollar	4⅞ - 4⅝	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 4⅞	5⅛ - 5⅛
US Dollar	5½ - 5⅝	5⅝ - 5½	5⅝ - 5⅝	5⅝ - 5⅝	5⅞ - 5⅝	5⅞ - 5¾
Italian Lira	6¼ - 5¼	5⅝ - 5⅞	5⅝ - 5⅞	5⅛ - 4⅞	4⅞ - 4⅝	4⅝ - 4⅝
Japanese Yen	⅜ - ⅜	⅜ - ⅜	½ - ½	⅜ - ⅜	⅜ - ⅜	⅜ - ⅜
Asian $Sing	4½ - 4¾	6⅛ - 4⅝	6½ - 5½	6⅛ - 6	6½ - 6	6⅞ - 6⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.220	96.225	+0.005	96.220	96.220	7,426	71,754
Sep	96.055	96.065	+0.010	96.060	96.055	3,723	34,123

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.230	96.255	+0.020	96.260	96.215	68048	404068
Sep	96.070	96.115	+0.035	96.120	96.060	96346	377567
Dec	95.865	95.900	+0.025	95.910	95.845	58792	363246
Mar	95.750	95.780	+0.020	95.785	95.730	40515	362164

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May	-	96.36	-	-	-	0	287
[illegible]							

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9525	0.19	0.54	0.63	0.11	0.04	0.04
9550	0.07	0.32	0.41	0.24	0.07	0.07
9575	0.02	0.15	0.23	0.44	0.15	0.14

Est. vol. total, Calls 3058 Puts 3700. Previous day's open int., Calls 297978 Puts 282474

ECU 3,000,000,000
Euro Medium Term Note
and
Euro Depositary Receipt Programme
of
Lavoro Bank Overseas N.V.
and
Banca Nazionale del Lavoro S.p.A.

Series N° 3
Banca Nazionale del Lavoro S.p.A.
– Hong Kong Branch –
US$ 100,000,000 Subordinated Floating Rate Depositary Receipts due 1999

In accordance with the terms of the Series N° 3 Depositary Receipts (the "Receipts") described in the Pricing Supplement dated as of July 15, 1994, notice is hereby given that for the Interest Period from April 22, 1998 to July 22, 1998 the Receipts will carry an Interest Rate of 6.0625% per annum.

The Interest Amount payable on the relevent Interest Payment Date, July 22, 1998 will be US$ 6.13 per Receipt of US$ 400, US$ 61.30 per Receipt of US$ 4,000 and US$ 612.99 per Receipt of US$ 40,000.

The Calculation Agent
Kredietbank Luxembourg

Phibro sells cocoa stocks to Callebaut

By William Hall in Zurich

The price of cocoa jumped sharply yesterday after Barry Callebaut, the world's leading cocoa processor and producer of industrial chocolate, bought a big part of the European cocoa stocks of Phibro Commodities, which had been overhanging the market.

Phibro, the commodity trading arm of Salomon Brothers, is believed to control around a quarter of the world's cocoa stocks. The company announced late last year it was "downsizing" its cocoa trading operation following Salomon's acquisition by Travelers Group, the US financial services company.

Since then, cocoa prices have been under pressure amid fears that the group's new owners might liquidate its huge cocoa holdings.

Barry Callebaut, controlled by Klaus Jacobs, the Swiss-based financier, did not disclose the amount of cocoa bought but said it was "the major part" of Phibro's European cocoa stocks.

Analysts have estimated that Phibro held between 300,000 and 500,000 tonnes of cocoa. Judith Ganes, of Merrill Lynch in New York, said the deal had not changed overall cocoa consumption patterns but had tightened the amount of cocoa available. She estimated that 280,000 to 300,000 tonnes might have been bought by Barry Callebaut.

When news of the deal reached the London International Financial Futures Exchange, the benchmark July cocoa contract surged £47 to £1,100 a tonne. By the end of trading, it had settled at £1,080, up £27 from Monday's close.

Barry Callebaut, which processes around 300,000 tonnes, or 12 per cent, of the world cocoa crop, said it was currently witnessing "a dynamic growth in demand" for its chocolate and cocoa products that was considerably greater than expected.

It had decided to secure part of its increased cocoa requirements against "the potential threats to the supply of good quality cocoa over the coming two or three years, especially in the light of the impending liberalisation of cocoa in the Ivory Coast".

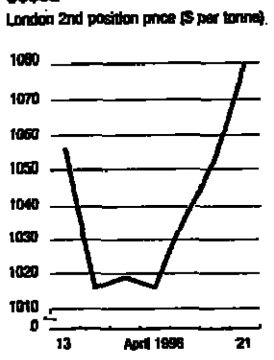
The Ivory Coast is the world's biggest cocoa producer and is planning to reduce government controls.

Barry Callebaut said it aimed to protect both its own business and that of its customers from the worst short-term and medium-term vagaries of the cocoa market.

Phibro Commodities referred all inquiries on the deal to their legal counsel, who was unable to give any additional information.

However, some analysts regarded the news as a bullish development. "Global cocoa stocks have already been reduced to about 30 per cent of total demand and of that one-third is already spoken for," said Ms Ganes.

Cocoa
London 2nd position price ($ per tonne)



Source: Datastream/ICV

DIAMONDS MOVE TO OFFSET OVERSUPPLY AND DOWNTURN IN JAPANESE DEMAND

De Beers cuts sales by half

By Kenneth Gooding, Mining Correspondent

De Beers cut its diamond sales by half in the first quarter of this year, analysts suggest, and the South African group is expected to continue this policy for another three months.

De Beers, which accounts for more than 60 per cent of the world's rough, or uncut, diamond trade, has been attempting to compensate for a substantial downturn in demand from Japan, the second biggest market for polished diamonds, and an oversupply of polished stones that emerged after the Asian financial crisis took hold in 1997.

Rough diamonds worth only US$800m were released to traders at the first three monthly "sights" or sales by De Beers' London based Central Selling Organisation, according to the CRU International consultancy group. This compares with $1.8bn in the same months of 1997.

Mark Cockle, executive editor of CRU's Diamond International publication, said the CSO's sales were at record levels in the first half of last year and this made the contrast greater.

"I expect the cuts to last until July and there might be a return to more normal levels in August. We could see a reversal of the traditional pattern with the CSO's second-half sales revenue being higher than in the first half," Mr Cockle said.

On ice: analysts expect cuts in Central Selling Organisation sales to last until July

Anthony Oppenheimer, president of the CSO, would not reveal the exact extent of the sales cuts yesterday but admitted they had been substantial and were having the desired affect.

"Confidence is returning to the trade," he insisted. This confidence would take time to be reflected in polished diamond prices, however, because too many traders were concentrating on the US market.

This was not only because it was the biggest diamond retail market, but also because it was the only one showing good growth – 8 per cent in 1997 and nearly 8 per cent so far this year.

Mr Oppenheimer promised the CSO would continue to hold back rough diamonds from the market until it judged full confidence was restored.

He recalled that Japan's imports of polished diamonds had fallen by 25 per cent last year from their 1996 levels and were at a similarly reduced level this year. "I can't see the Japanese market recovering for a couple of years," he said.

Nevertheless, other factors were positive. In particular, uncontrolled rough diamond exports from Angola and Russia, which had destabilised the market in previous years, had virtually dried up.

Russia, one of the world's biggest producers, was rigidly sticking to the terms of the 13-month contract it signed in October last year when it rejoined the rough diamond cartel organised by the CSO.

Russia and the CSO would meet next month and would consider whether to roll forward their contract for another year, said Mr Oppenheimer.

In Angola, the Unita forces had moved away from some of the diamond areas and these were not being worked now, even by individual diggers. Heavy rains had also kept down Angola's diamond production.

Aluminium up on fall in stocks

MARKETS REPORT

By Kenneth Gooding and Paul Solman

Aluminium prices rose on the London Metal Exchange yesterday after another fall in LME stocks was reported and news of production problems at Venalum in Venezuela.

An electrical failure caused Venalum to shut down part of a production line, putting about 50,000 tonnes of its 430,000 tonnes of annual capacity out of action. Venalum was not able to say immediately how long it would take to return to full working.

LME aluminium stocks are now at their lowest since August 1991. However, announcements that Reynolds Metal, the third largest producer, and Pechiney, the fourth biggest, are to reactivate idled capacity have affected sentiment, according to Nick Moore, analyst at Flemings Global Mining Group. "The rash of restarts leave very little room for manoeuvre if they prove to be premature," he said.

Aluminium for delivery in three months on the LME ended the day up $22 a tonne at $1,464.

Lloyd O'Carroll, formerly an economist with Reynolds and now producing an aluminium bulletin for Scott & Stringfellow, the Richmond, Virginia, financial services group, is forecasting LME prices of $1,600 late this year and $1,740 by the end of 1999. He is projecting a cyclical peak of just over $1,900 in the first half of 2000.

Palladium set another record yesterday afternoon when the price was "fixed" in London at $337 a troy ounce – the highest ever.

Lack of supplies from Russia, the biggest producer, continued to cause concern. "This is a market that has ceased to function," said one analyst. "There is no liquidity to speak of. Everything has just ground to a halt."

Oil trading on London's International Petroleum Exchange began later than usual yesterday after a fire alert forced the evacuation of the building. When trading did begin, half an hour late, dealers said the market remained sluggish.

"The only salient point is that Brent has broken through technical resistance at around $1450," one dealer said.

Iraq's announcement that it would submit an aid distribution plan within 10 days provided the prospect of increased oil exports.

However, that was balanced by a US complaint that Baghdad was failing to co-operate fully with United Nations weapons inspectors, suggesting santions would stay in place.

Benchmark Brent crude for June delivery was $14.50 a barrel in late trading, up 11 cents from Monday's close.

Size of Indian coffee harvest still in dispute

By Kunal Bose in Calcutta.

The harvesting of the Indian coffee crop in the 1997-98 season (July to June) is almost over, but the majority of planters are still contesting the production estimate of 228,000 tonnes by the Coffee Board. The board scaled down the original estimate of 232,000 tonnes following the unseasonal rain in November and December.

According to the Planters Association of Karnataka, the southern state accounting for nearly 70 per cent of India's coffee production, the crop will be between 210,000 tonnes and 213,000 tonnes. India is Asia's third largest coffee producer after Vietnam and Indonesia.

"Besides the damage inflicted by the winter rain, the growers in Karnataka had to contend with white stem borer and berry borer diseases," said an industry official.

As the controversy over the crop size has refused to die down, India's coffee exports have fallen 23 per cent to 139,343 tonnes in the financial year to March. Income from exports, however, has fallen by only 9.5 per cent to Rls3.26bn ($333.3m) as India has sold its coffee at Rs95,178 a tonne, up Rs14,256 a tonne on the 1996-97 average.

The Coffee Board's pre-blossom first forecast of the crop at 242,400 tonnes, comprising 109,300 tonnes of arabica and 133,100 tonnes of robusta, for the 1998-99 season has also been challenged by growers and trade officials. The board, however, said the blossom showers would decide the fate of the next crop.

According to a trade official: "The pre-blossom estimate based on the likely fruit-bearing branches of trees is not to be taken seriously. We are having a drought in all three coffee growing states in South India. The planters association is saying the crop will be at least 20 per cent lower than the board estimate. The shortfall will be more in arabica coffee, which is much more vulnerable to drought than robusta."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1426-27	1456-56.5
Previous	1407.5-8.5	1438.5-9.0
High/low		1464/1437
AM Official	1418-19	1449-50
Kerb close		1463.5-64
Open int.	258,075	
Total daily turnover	82,060	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1285-90	1315-20
Previous	1278-80	1308-10
High/low		1319/1307
AM Official	1277-79	1305-07
Kerb close		1319-22
Open int.	6,013	
Total daily turnover	2,023	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	565-6	575-6
Previous	563.5-4.5	572.5-3.0
High/low		582/578
AM Official	563.5-4	573-3.5
Kerb close		577-8
Open int.	35,577	
Total daily turnover	8,042	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5430-40	5525-30
Previous	5330-40	5425-30
High/low		5550/5410
AM Official	5365-70	5460-65
Kerb close		5540-60
Open int.	49,873	
Total daily turnover	14,839	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5585-95	5620-30
Previous	5645-55	5590-95
High/low		5635/5605
AM Official	5670-75	5620-25
Kerb close		5625-35
Open int.	16,484	
Total daily turnover	4,984	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1090-91	1116-17
Previous	1076.5-7.5	1103-4
High/low		1120/1104
AM Official	1084-85	1110-11
Kerb close		1114-15
Open int.	78,812	
Total daily turnover	27,013	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1858.5-59.5	1865-66
Previous	1818.5-9.5	1833-3.5
High/low		1874/1835
AM Official	1854-55	1864-65
Kerb close		1867-68
Open int.	160,072	
Total daily turnover	65,349	

■ LME AM Official £/$ rate: 1.6788
LME Closing £/$ rate: 1.6770

Spot 1.6765 3 mths: 1.6694 6 mths: 1.6625 9 mths: 1.6567

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	84.05	+0.95	84.90	84.05	223	1,001
May	84.15	+0.95	85.20	83.10	2,804	20,712
Jun	84.40	+0.95	85.20	83.75	107	2,491
Jul	84.55	+0.80	85.50	83.50	1,979	16,818
Aug	84.25	+0.60	84.60	84.50	13	1,572
Sep	83.95	+0.20	84.80	84.00	66	5,565
Total					5,584	68,723

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	308.30-308.60		
Opening	307.70-308.00		
Morning fix	307.20	183.33	457.73
Afternoon fix	307.50	183.52	457.87
Day's High	308.30-308.60		
Day's Low	307.00-307.30		
Previous close	307.40-307.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.48	6 months	3.97
2 months	4.29	12 months	3.70
3 months	4.19		

Silver Fix	p/troy oz.	US cts equiv.
Spot	371.30	623.00
3 months	372.90	623.00
6 months	373.45	621.40
1 year	375.00	619.85

Gold Coins	$ price	£ equiv.
Krugerrand	307-310	183-185
Maple Leaf	-	-
New Sovereign	72-76	43-45

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	311.2	+3.3	311.6	308.0	55	379
Jun	312.6	+3.0	314.3	309.0	8,771	93,673
Aug	314.9	+3.0	316.0	311.3	143	8,144
Oct	316.9	+3.0	318.0	313.9	6	4,817
Dec	319.0	+3.1	321.0	315.3	725	16,908
Feb	320.8	+3.1	321.5	321.5	-	8,624
Total					9,725	182,508

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	422.9	+1.0	421.0	421.0	3	130
Jul	418.9	+1.0	418.0	411.0	884	12,440
Oct	408.9	+1.0	409.0	404.5	4	533
Jan	405.9	+1.0	-	-	-	42
Total					898	13,152

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Jun	296.55	+10.45	297.90	287.10	290	4,334
Sep	274.55	+8.45	274.50	270.00	76	935
Dec	267.55	+8.45	-	-	131	280
Total					497	5,549

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
May	629.3	+7.6	637.5	615.5	8,778	34,030
Jul	634.0	+8.3	643.0	620.0	3,046	20,178
Sep	634.1	+8.6	636.0	624.0	106	5,589
Dec	633.8	+8.8	640.0	625.0	735	11,398
Jan	633.1	+8.8	-	-	-	15
Mar	631.3	+8.9	-	-	179	2,509
Total					13,816	81,498

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
May	15.43	+0.02	15.55	15.18	39,370	45,837
Jun	15.95	+0.04	16.04	15.76	47,501	126.3k
Jul	16.38	+0.12	16.38	16.15	12,419	54,445
Aug	16.64	+0.11	16.66	16.45	4,645	28,966
Sep	16.67	-0.06	16.81	16.67	3,559	25,461
Oct	16.96	+0.04	16.99	16.85	1,369	16,049
Total					118,198	464,986

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
Jun	14.50	+0.11	14.57	14.32	15,743	86,674
Jul	14.70	+0.01	14.85	14.65	4,325	34,080
Aug	14.98	-0.02	15.14	14.95	664	19,598
Sep	15.20	-0.04	15.36	15.23	286	11,232
Oct	15.42	-0.04	15.58	15.55	378	9,054
Nov	15.50	-0.14	15.77	15.73	162	10,554
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int
May	44.20	+0.53	44.20	43.50	8,477	33,788
Jun	44.80	+0.50	44.90	44.20	5,098	31,026
Jul	45.45	+0.35	45.45	44.95	1,483	18,838
Aug	46.15	+0.10	46.25	46.00	534	13,891
Sep	47.45	+0.45	47.45	47.25	341	11,980
Oct	48.60	+0.65	48.60	48.25	136	7,933
Total					17,027	172,812

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	137.75	+2.50	138.25	135.00	7,355	29,536
Jun	139.50	+2.00	140.00	137.00	3,057	17,721
Jul	141.25	+1.75	141.25	139.50	580	9,982
Aug	144.25	+2.25	143.00	142.50	20	9,984
Sep	146.75	+2.25	146.75	145.00	67	11,154
Oct	149.00	+2.00	148.00	146.75	334	13,728
Total					8,043	135,697

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open Int
May	9.250	-	9.300	9.250	60	1,825
Jun	9.150	+0.150	9.150	9.150	50	2,000
Total					380	20,155

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open Int
May	2.535	+0.066	2.555	2.465	17,105	43,264
Jun	2.590	+0.075	2.600	2.512	6,546	37,151
Jul	2.610	+0.067	2.620	2.540	3,081	22,555
Aug	2.615	+0.062	2.620	2.557	1,445	20,407
Sep	2.595	+0.054	2.600	2.541	978	15,716
Oct	2.610	+0.057	2.610	2.558	461	14,905
Total					31,892	267,787

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int
May	52.95	+0.53	53.10	51.80	15,334	36,880
Jun	53.85	+0.53	54.00	52.85	8,191	44,044
Jul	54.20	+0.43	54.40	53.35	1,138	14,863
Aug	54.00	+0.35	54.05	53.40	484	10,632
Sep	53.35	+0.33	53.35	52.90	788	12,387
Oct	52.00	+0.33	-	-	51	4,339
Total					28,148	122,892

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	76.10	+0.80	76.25	75.75	143	1,221
Jul	78.10	+0.80	78.10	77.75	225	1,886
Sep	76.00	+0.80	-	-	-	143
Nov	78.00	+0.60	78.00	78.00	94	3,062
Jan	80.00	+0.60	80.00	79.75	77	528
Total					876	7,228

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
May	300.50	+1.75	303.50	298.00	2,559	24,487
Jul	311.50	+1.75	314.50	308.50	8,970	60,064
Sep	321.25	+2.75	323.75	319.00	835	10,248
Dec	334.25	+0.75	338.00	332.00	1,050	17,033
Mar	347.50	+3.50	347.50	343.00	253	2,398
Jul	355.00	+1.50	355.00	355.00	7	90
Total					13,666	114,405

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
May	251.00	+2.25	252.00	248.00	18,529	75,986
Jul	258.75	+2.50	260.00	255.25	20,010	130,748
Sep	266.75	+4.00	267.25	262.50	1,812	31,868
Dec	272.25	+4.25	273.50	267.25	13,772	109,563
Mar	280.00	+4.50	280.50	275.00	165	9,241
May	284.25	+4.75	284.50	280.00	24	684
Total					54,457	364,261

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	75.00	+0.50	75.00	74.50	15	198
Sep	73.00	+0.50	-	-	-	10
Nov	75.00	+0.50	-	-	-	642
Jan	77.00	+0.50	-	-	-	94
Mar	79.00	+0.50	-	-	-	1
Total					15	945

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
May	650.75	+7.75	652.50	641.00	14,794	29,678
Jul	650.50	+8.75	653.00	638.50	23,402	83,486
Aug	649.75	+8.50	652.00	638.50	3,631	12,451
Sep	634.00	+9.50	635.00	623.00	188	2,737
Nov	625.75	+8.25	628.50	614.00	5,078	35,570
Jan	633.00	+8.50	635.00	622.00	112	1,890
Total					47,386	147,308

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open Int
May	28.86	+0.22	28.90	28.35	10,893	36,021
Jul	29.18	+0.24	29.23	28.68	29,607	79,241
Aug	29.10	+0.28	29.15	28.63	2,960	15,030
Sep	28.82	+0.30	28.85	27.85	992	7,759
Oct	28.44	+0.49	28.40	27.40	248	6,317
Dec	28.07	+0.42	28.10	27.50	3,249	18,094
Total					48,246	183,670

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open Int
May	160.7	+1.1	161.7	158.8	8,725	30,192
Jul	162.5	+2.0	162.9	160.2	10,158	51,331
Aug	164.1	+2.3	164.2	161.8	1,878	17,263
Sep	164.5	+1.6	164.5	163.0	1,054	11,981
Oct	164.4	+2.1	164.5	162.0	150	5,672
Dec	167.1	+2.2	167.8	164.3	1,310	19,631
Total					23,621	138,868

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	72.0	+2.0	-	-	-	276
Jun	80.0	-	-	-	-	-
Nov	64.0	-	-	-	-	3
Mar	82.0	-	-	-	-	-
Apr	148.0	+8.0	148.0	144.0	139	661
Total					139	937

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	1030	-	1035	1035	1	532
May	1025	-	1030	1025	23	321
Jun	1000	-	-	-	-	43
Jul	940	+5	940	935	6	314
Oct	1060	+10	1060	1060	4	138
Jan	1100	+10	-	-	-	58
Total					34	1,416

	Close	Prev
BFI	1084	996

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open Int
Jun	535.00	-	-	-	-	538
Sep	557.00	-	-	-	-	265
Total					5	873

FUTURES DATA
All futures data supplied by CMS.

Tea from the Tea Brokers' Association
Landed: Burundi and Ceylons met improved demand at dearer rates. Medium Kenyas and plainer central Africans were easier and often neglected. Offshore: limited demand at lower rates. Price indications (previous sale in brackets): best available 186p (171p), good 160p (160p), good medium 140p (148p), medium 120p (130p), low medium 84p (100p). The highest price realised this week was 186p for Mooloya BOPF.

The London Tea Auction is now fortnightly. The next report will appear on May 6.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	1061	+28	1080	1057	2,029	21,773
Jul	1081	+28	1100	1077	7,702	21,386
Sep	1099	+25	1116	1096	1,607	22,256
Dec	1117	+21	1136	1117	1,096	32,364
Mar	1137	+17	1152	1136	1,161	39,744
May	1151	+15	1168	1160	200	13,139
Total					14,155	162,239

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open Int
May	1690	+28	1715	1664	329	1,614
Jul	1680	+28	1690	1660	8,445	25,796
Sep	1699	+27	1704	1683	657	10,248
Dec	1723	+21	1732	1708	687	14,663
Mar	1751	+19	1761	1750	425	9,693
May	1769	+19	1775	1775	554	3,666
Total					11,094	71,046

■ COCOA (ICCO) (SDR's/tonne)

Apr 20	Price	Prev. day
Daily	1275.80	1259.67

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	1990	+8	2010	1980	1,410	16,241
Jul	1925	+13	1945	1910	2,538	25,284
Sep	1880	+13	1904	1870	743	4,497
Nov	1840	+13	1863	1840	117	1,458
Jan	1800	+13	-	-	-	117
Mar	1760	+13	1765	1765	100	131
Total					4,908	47,728

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
May	147.80	-2.70	151.75	147.50	8,630	5,082
Jul	143.45	-2.05	146.50	143.25	5,217	12,537
Sep	137.50	-2.05	140.25	137.50	494	5,388
Dec	131.15	-1.80	133.50	132.00	189	4,713
Mar	127.60	-1.55	129.75	127.60	27	1,582
May	125.55	-1.60	128.00	128.00	4	866
Total					12,557	30,244

■ COFFEE (ICO) (US cents/pound)

Apr 20		Prev. day
Comp. daily	123.73	123.78
15 day average	121.70	121.46

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
Aug	252.3	-	255.8	252.0	1,954	17,491
Oct	256.3	-0.5	259.5	257.0	385	9,123
Dec	260.8	-0.7	263.0	262.5	4	1,435
Mar	266.5	-0.7	269.5	268.5	5	1,062
May	271.0	-0.7	271.0	271.0	3	506
Aug	272.5	-4.2	274.0	274.0	1	102
Total					2,362	29,719

■ SUGAR "11" CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
May	9.15	+0.10	9.33	9.09	6,164	39,163
Jul	8.99	+0.12	9.10	8.91	9,074	75,109
Oct	9.26	+0.11	9.33	9.20	2,470	48,672
Mar	9.70	+0.08	9.80	9.65	1,072	21,987
May	8.76	+0.06	8.79	8.71	101	3,030
Jul	9.82	+0.08	9.84	9.84	35	3,499
Total					18,993	194,276

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
May	62.34	-0.16	62.80	62.20	5,241	9,781
Jul	64.04	-0.04	64.40	63.90	7,364	29,162
Oct	66.73	-0.27	67.35	66.70	340	3,669
Dec	66.28	-0.14	66.75	66.20	2,663	31,813
Mar	69.60	-0.23	70.20	69.70	116	6,405
May	70.45	-0.10	70.90	70.45	246	2,614
Total					16,002	88,682

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
May	92.30	-1.45	94.35	91.60	984	10,748
Jul	95.70	-1.45	97.75	95.10	1,067	10,080
Sep	98.90	-1.25	100.50	98.20	143	4,889
Nov	101.50	-1.30	102.00	101.40	156	3,794
Jan	104.10	-1.30	105.70	105.70	2	1,357
Mar	106.70	-1.30	107.00	106.05	19	811
Total					2,351	32,277

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 21	Apr 20	month ago	year ago
1549.9	1545.0	1578.0	1956.6

■ CRB Futures (Base: 1967 = 100)

Apr 20	Apr 17	month ago	year ago
225.95	225.10	-	-

■ GSCI Spot (Base: 1970 = 100)

Apr 20	Apr 17	month ago	year ago
167.61	167.88	162.63	193.68

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,850	to	521,925
Aluminium alloy	-200	to	48,080
Copper	-4,925	to	294,125
Lead	-400	to	107,050
Nickel	+90	to	65,538
Zinc	+539	to	465,900
Tin	+15	to	7,395

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Apr	66.175	+0.050	66.300	65.525	1,509	3,727
Jun	68.275	+0.600	68.350	67.200	8,045	44,995
Aug	69.275	+0.400	69.300	68.400	2,832	20,511
Oct	69.725	+0.100	69.800	69.275	1,029	12,231
Dec	70.000	-0.125	70.250	70.000	595	4,131
Feb	71.400	+0.175	71.400	71.050	107	1,280
Total					14,139	87,310

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Jun	60.475	-1.275	61.350	59.850	4,853	14,172
Jul	59.625	-1.100	60.400	58.950	1,640	5,552
Aug	57.650	-0.800	58.100	56.900	612	3,873
Oct	53.925	-0.775	54.500	53.600	448	3,242
Dec	54.375	-0.550	55.000	54.350	152	3,313
Feb	58.175	-0.475	58.400	57.500	22	504
Total					7,992	34,084

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
May	59.825	-3.000	62.600	59.825	1,323	4,113
Jul	58.150	-3.000	60.800	58.150	750	2,397
Aug	55.900	-2.425	58.000	55.325	191	883
Sep	51.500	-2.500	56.000	51.500	3	28
Nov	48.850	-0.775	49.600	47.650	59	166
Total					2,326	7,587

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1450	33	71	32	48
1500	14	48	63	72
1550	5	30	104	103
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
1700	180	179	10	40
1800	105	119	34	77
1900	51	73	80	130
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1850	125	138	50	108
1900	92	120	67	140
1950	75	104	100	174
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1050	53	77	22	28
1075	39	63	33	39
1100	30	50	49	51
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1400	-	-	-	39
1450	37	-	-	-
1500	-	66	76	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$12.98-3.08x	+0.105
Brent Blend (dated)	$13.82-3.86	+0.075
Brent Blend (Jun)	$14.62-4.68	+0.125
W.T.I.	$16.13-6.15x	+0.13

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$165-167	+1
Gas Oil	$139-140	+2.5
Heavy Fuel Oil	$79-81	+4
Naphtha	$130-133	-2
Jet fuel	$147-149	+3
Diesel	$142-143	+2.5

■ NATURAL GAS (Pence/therm)

Bacton (Apr)	9.20-9.30	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

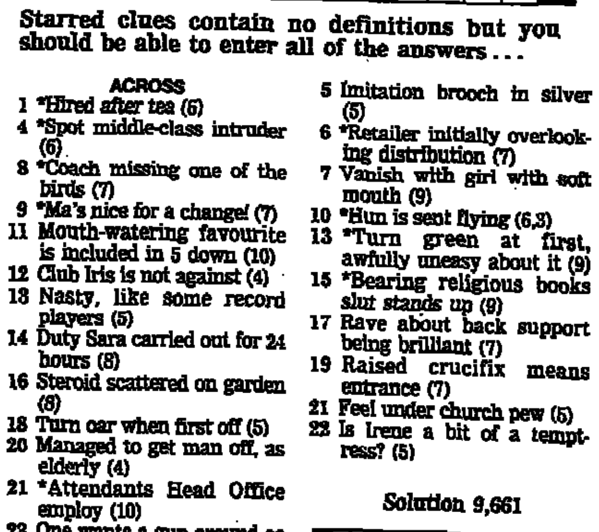
Gold (per troy oz)‡	$308.55	+0.90
Silver (per troy oz)‡	623.00c	+0.50
Platinum (per troy oz.)	$413.50	-0.50
Palladium (per troy oz.)	$337.00	+10.50
Copper	89.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.74r	+0.04
Tin (New York)	289.5	
Cattle (live weight)	87.22p	-0.36*
Sheep (live weight)	114.00p	+4.03*
Pigs (live weight)†	72.83p	-0.70*
Lon. day sugar (raw)	$230.20	+2.80
Lon. day sugar (wte)	$255.50	+5.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (May)¥	46.75p	
Rubber (Jun)¥	47.75p	
Rubber (KL RSS No1)	295.50m	+2.50
Coconut Oil (Phil)§	640.0y	-2.5
Palm Oil (Malay.)§	670.0	-7.5
Copra (Phil)§	$384.0y	+6.0
Soyabeans (US)	188.5	
Cotton Outlook'A' index	64.35	
Wooltops (64s Super)	350p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jun/Jul. z Jun. ¥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on [illegible] head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,662 Set by GRIFFIN

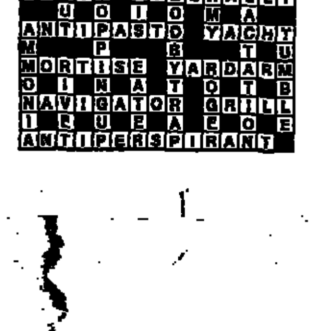


Starred clues contain no definitions but you should be able to enter all of the answers . . .

ACROSS
1 *Hired after tea (6)
4 *Spot middle-class intruder (6)
8 *Coach missing one of the birds (7)
9 *Ma's nice for a change! (7)
11 Mouth-watering favourite is included in 5 down (10)
12 Club Iris is not against (4)
13 Nasty, like some record players (5)
14 Duty Sara carried out for 24 hours (8)
16 Steroid scattered on garden (8)
18 Turn oar when first off (5)
20 Managed to get man off, as elderly (4)
21 *Attendants Head Office employ (10)
23 One wants a gun around as looking for lizards! (7)
24 *Black lines round jug (7)
25 *Transplanting a tree said why (6)
26 Some will get cold on going round gorge (6)

DOWN
1 Restrict credit note to remember (5)
2 *Expert takes notice belonging to me (7)
3 Investigating cut-back before obtaining coal (9)
5 Imitation brooch in silver (5)
6 *Retailer initially overlooking distribution (7)
7 Vanish with girl with soft mouth (9)
10 *Hun is sent flying (6,3)
13 *Turn green at first, awfully uneasy about it (9)
15 *Bearing religious books slut stands up (9)
17 Rave about back support being brilliant (7)
19 Raised crucifix means entrance (7)
21 Feel under church pew (5)
22 Is Irene a bit of a temptress? (5)

Solution 9,661



هكذا من الأصل

Aluminium up on fall in stock

till in dispute

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

Offshore Funds and Insurances

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ABN AMRO Funds - Contd.

Fleming Group (u)

Mercury Asset Management - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management

Swiss Bank Corporation

Eagle Star Intl Life - Contd.

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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Old Mutual International - Contd.

The Americas Trust Bank

OTHER OFFSHORE FUNDS

Global Asset Management - Contd.

Jupiter Asset Management (Asia) Ltd

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	low	Volume '000s	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	+½	646	407½	1,389	3.9	15.9
Bulmer (HP)	[illegible]	346½	–6	552½	295	–	5.3	10.7
Burn Stewart	[illegible]	22½	–	78½	22½	1	9.4	–
Diageo	[illegible]	675xd	–7	784	432	6,067	2.7	29.5
Glenmorangie A	[illegible]	795	–	995	770	–	2.1	19.0
B	[illegible]	607½	–	1130	650	–	0.9	43.4
Highland	[illegible]	328	+16½	347	258	579	3.5	14.9
5¾pc Cv Sb Bd		98½	+½	99½	85½	–	8.0	–
Kirin Y	[illegible]	510½	+6½	654½	416½	–	1.1	–
Matthew Clark	[illegible]	200½	–1½	299	157	78	12.5	6.5
Merrydown	[illegible]	42½	+2½	109½	39½	–	9.1	–
Seagram C$		£22¼	+¼	£25⅛	£16⅞	–	1.2	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Continued

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Continued

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Continued

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

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Footsie recoups early losses on inflation relief

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

UK shares staged a good recovery from another sharp sell-off yesterday to finish the session with a minor overall gain amid considerable relief over last month's inflation data.

Before the news on price rises, the stock market had fallen sharply along with most European markets in the wake of the overnight decline on Wall Street and a rather unhappy display by Asian markets.

But publication of the March Retail Price Index data, showing headline inflation at 3.5 per cent, up 0.1 per cent on the February figure, and core inflation at 2.6 per cent, a mere 0.1 per cent above the government's target, brought about a gradual recovery in market sentiment.

It was also helped along later in the day by a strong start to the US trading session. The Dow Jones Industrial Average kicked off on a firm note, moving up to post a 30-point gain shortly after the opening bell.

"The RPI news was a big help; at one point it looked as if we were in for a rough time," said one dealer.

At the close the FTSE 100 just managed to scramble into positive ground, finishing the day 0.9 higher at 5,955. Earlier, the index had tumbled sharply, falling below the 5,900 mark and eventually bottoming out at 5,884.8, down almost 70 points, before responding quickly to the uptrend on Wall Street.

There had been additional pressure brought to bear on London from the stronger-than-expected growth in German M3 money supply, which restarted talk of a rise in German interest rates in the near future and drove the D-Mark up sharply against the dollar.

Once again London's second-liners and small-caps were insulated from much of the weakness in the leaders, because of their relative underperformance against the FTSE 100 constituents so far this year.

The FTSE 250 never really threatened to drop into the red, and built gradually on a modestly firm opening to end the session up 16.5 at 5,543.4, only 14 points off its previous closing record. The FTSE SmallCap gained 3.9 at 2,631.0, less than 10 points away from its record close.

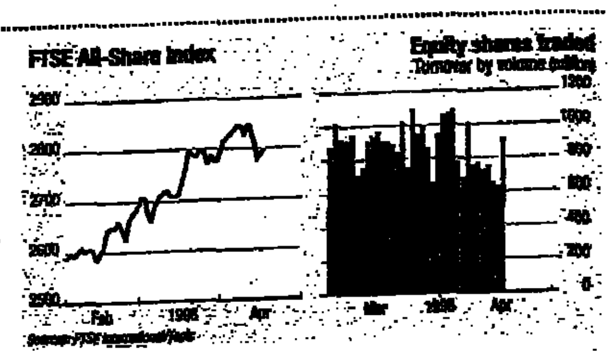
In its latest research, The technical team at Robert Fleming Securities described London's performance this year, up about 17 per cent relative to other European markets, as "nothing special", pointing to a 25 per cent rise in Germany, a 28 per cent gain in France, and 40 per cent-plus rises in Italy and Spain.

Flemings said: "With seasonal patterns, which have worked well this year, becoming less positive from the end of this month onwards, and some early signs that the rallies in the Far East are proving difficult to sustain, the weight of money argument is going to have to find new avenues to pursue, new sectors to invest in, to prevent 'sell in May and go away' from being the truth rather than a cliche."

The day's big winners in the FTSE 100 included the water stocks, which were again being boosted by takeover speculation linked to one of the leading French utilities.

Turnover expanded rapidly, reaching 950m shares by 6pm.

FTSE All-Share Index — Equity shares traded (Turnover by volume (million))



Source: FTSE International/Iradis

Indices and ratios

FTSE 100	5955.0	+0.9	FT 30	3784.6	-4.9
FTSE 250	5543.4	+16.5	FTSE Non-Fins p/e	22.46	22.40
FTSE 350	2862.9	+1.9	FTSE 100 Fut Jun	6022.0	+30.0
FTSE All-Share	2781.50	+2.03	10 yr Gilt yield	5.84	5.83
FTSE All-Share yield	2.79	2.79	Long gilt/equity yld ratio	2.10	2.09

Best performing sectors

1. Oil: Integrated .... +2.8
2. Electronic & Elect Equip .... +2.2
3. Resources .... +2.2
4. Engineering: Vehicles .... +1.9
5. Tobacco .... +1.3

Worst performing sectors

1. Pharmaceuticals .... -1.7
2. Insurance .... -1.7
3. Alcoholic Beverages .... -0.7
4. Retailers: Food .... -0.7
5. Consumer Goods .... -0.7

Exxon boost for BP

COMPANIES REPORT

By Peter John and Joel Kibazo

BP jumped 34½ to 922p, one of the best performances in the FTSE 100, as Exxon – the largest oil group in the US – announced first-quarter earnings ahead of forecasts and said its European refining and marketing division had performed well.

Exxon said it earned a fully diluted 76 cents per share in the quarter, down from 86 cents a year ago, but way ahead of the consensus estimate of 66 cents.

The shares were partly recovering from Monday's weakness after Dresdner Kleinwort Benson downgraded them to "add" from "buy", and trimmed their 1998 and 1999 earnings by 7 per cent to reflect lower production expectations. Shell Transport, which has not been as badly affected as BP by the falling oil price, only rose 6¼ to 442p.

Thames Water rose for the second day as the defensive attractions of the sector were boosted by simmering takeover speculation.

The shares were bought ahead of a strong sector recommendation from Charterhouse Tilney. And, because of their largely domestic exposure, they have also attracted cautious buyers keen to avoid the impact of a strong pound on internationally earned profits.

However, behind the macro-economic rationale there is ever-present bid speculation with French utilities known to be keen to expand in core areas.

Générale des Eaux has been seen for some time as a likely buyer for Thames' international operations, which make up 10 per cent of the company's earnings.

Yesterday, the prospect was revived as Générale freed up $590m with the sale of a 1.9 per cent stake in Alcatel Alsthom. Thames shares ended 27 up at 987p, albeit on low volume.

Severn Trent was also squeezed higher, closing 23½ up at 987½p.

Shares in leisure company Rank Group fell sharply as investors baled out after the company revealed a fall in first-quarter pre-tax profits and a lacklustre trading update. By the close the stock had fallen 19½ to 385p, with volume up to 9.9m.

Rank reported a 5 per cent rise in operating profits to £21m, but said first-quarter pre-tax profits were down. The company blamed the absence of a dividend from the Rank Xerox joint venture. Rank sold its 20 per cent stake in the venture to Xerox Corp. last year.

Reflecting on the sharp decline in the share price, one leisure sector specialist said: "Investors have taken advantage of the recent spike-up in the share price to sell the stock on further news of continued problems at the company. I expect this to continue."

In the rest of the leisures, hotels and gaming company Ladbroke Group was in demand, which made it the best-performing stock in the FTSE 100. The shares closed 12¾ ahead at 340¾p.

SmithKline Beecham fell 40 to 691p, the biggest slide in the Footsie as the group announced first-quarter figures and stressed it did not need to merge.

Reuters, the news and information company, relinquished 33 to 638p following a first-quarter trading update that highlighted increased pressures in the US for Instinet, the group's on-line trading product, and the continued impact of sterling's strength.

Reuters said sales volumes of Instinet remained high but "competition restrained US revenue growth and put pressure on margins". Instinet, which records about 85 per cent of its sales in the US, has been suffering as competitors such as Island and Terranova gain market share and force prices lower.

Brian Newman at Henderson Crosthwaite said the figures were in line with market expectations, but revenue growth was marginally below expectations at 7 per cent.

Halifax pressured

The big mortgage-lending banks had a hard time of it in the market with Halifax always pressured on the downside ahead of and following the bank's AGM at which the chairman noted the fiercely competitive mortgage business.

Halifax also said it had bought in a short 22m of its own shares at an average price of 933p, compared with the current market price of 826p, down 17 on the day. Turnover in the shares was 6.4m.

Abbey National lost 10 to £11.71p, and Alliance & Leicester 11 to 857p.

Commercial Union slid 23 to £11.99 as the insurer detailed losses caused by rough weather during the first quarter. Severe weather claims were £35m higher than in the first quarter of 1997 and, together with competition in key markets, will depress the trading results from general insurance compared with the first quarter of 1997, the company said.

Analysts pointed out that the losses would not include the recent floods in the UK.

News of a $1.4bn US acquisition by General Electric Company cheered the market yesterday sending the shares sharply higher. The company said its US subsidiary has entered into a definitive merger agreement with Tracor under which the GEC subsidiary will make a cash tender offer for all Tracor shares at $40 per share.

The UK defence giant said the acquisition will be "immediately cash flow and earnings enhancing", before amortisation of goodwill.

One analyst said simply: "About time too. This is the kind of deal we have been wanting GEC to do for ages."

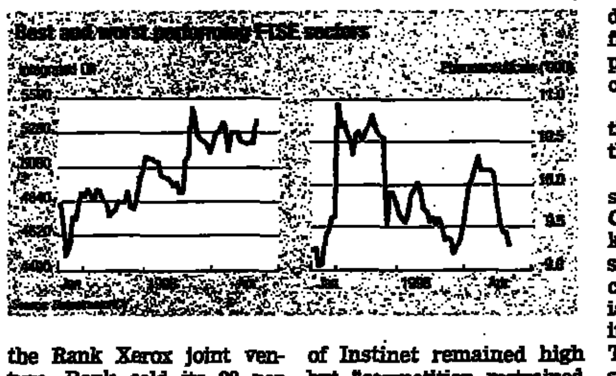
The shares improved 14½ to 458p with sentiment said to have been enhanced by a recommendation from HSBC. The broker was reported to have upgraded its stance on the stock from "hold" to "add".

Dealers in retail stocks were eagerly awaiting the outcome of the bitter bid battle for Argos by Great Universal Stores.

With Prudential Corporation, Argos's second-largest investor with a holding around the 7 per cent mark, having decided to vote against the 650p-a-share offer, dealers were waiting to see if there would be a raid on Argos ahead of Friday's close of the bid.

Those predicting Argos would escape the clutches of GUS appeared to be gaining in confidence and the current thinking is that dealers acting for GUS will only launch a market raid for Argos stock in a bid to secure a knockout victory. Yesterday Argos fell 20 to 810p, after trade of 4.8m while GUS surrendered 7 to 813½p.

Best and worst performing FTSE sectors



FT 30 INDEX

	Apr 21	Apr 20	Apr 17	Apr 16	Apr 15	Yr ago	*High	*Low
FT 30	3784.6	3789.5	3764.6	3816.9	3840.3	2855.1	3872.4	3751.4
Ord. div. yield	2.89	2.88	2.91	2.87	2.85	3.88	4.22	2.83
P/E ratio net	24.54	24.55	24.39	24.70	24.88	17.09	25.86	15.80
P/E ratio nil	24.32	24.33	24.17	24.48	24.66	16.91	24.84	15.71

FT 30 since compilation: High 3857.0 08/04/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3789.5	3759.9	3772.5	3781.5	3779.6	3781.4	3777.8	3778.4	3791.0	3800.2	3751.4

STOCK MARKET TRADING DATA

	Apr 21	Apr 20	Apr 17	Apr 16	Apr 15	Yr ago
SEAQ bargains	62,144	60,948	61,823	63,686	66,942	47,801
Equity turnover (£m)†	-	na	2569.9	na	2977.8	1989.6
Equity bargains†	-	na	52,822	na	57,462	50,791
Shares traded (m)†	-	na	705.2	na	777.3	650.4
Total market bargains‡	-	na	66,391	60,940	70,294	na
Total turnover (£m)‡	-	na	3619.9	4055.3	4321.5	na
Total shrs traded (m)‡	*950.0	na	927.0	928.5	1060.7	na
Tradepoint turnover (£m)	24.0	12.8	19.9	33.3	33.4	4.8
Tradepoint shrs traded	5,436	4,144	10,878	5,868	8,338	850

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	883	Total Highs	144	Total contracts	31,364
Total Falls	622	Total Lows	44	Calls	16,637
Same	1,495			Puts	14,727

Apr 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5970.0	6022.0	+30.0	6033.0	5928.0	18425	153227
Sep	6091.0	6100.0	+29.0	6091.0	6091.0	100	7811
Dec	-	6182.0	+27.0			0	4

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	5580.0	+18.0			0	6513

■ FTSE 100 INDEX OPTION (LIFFE) (*5950) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Apr 20	% chg on day	Apr 17	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1212.51	-0.2	1214.85	1538.80	2.88	-	1810.93	891.23
■ Regional Indices								
Africa (14)	1246.04	+0.2	1244.01	1830.67	4.35	27.52	1864.25	921.78
Australasia (7)	1488.25	-0.9	1502.13	1845.36	2.24	20.55	1880.86	933.63
North America (11)	1177.59	-0.2	1179.50	1419.97	1.04	44.02	1574.16	864.86

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Apr 21	Day's chge%	Apr 20	Apr 17	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5955.0	.....	5954.1	5922.2	4346.1	2.75	2.32	2.07	21.99	58.35	2597.01
FTSE 250	5543.4	+0.3	5526.9	5519.2	4513.3	2.94	2.47	2.08	20.45	44.34	2386.84
FTSE 250 ex IT	5584.9	+0.3	5567.2	5563.4	4554.6	3.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	2862.9	+0.1	2861.0	2847.8	2135.0	2.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	1,600	597	-1½
AMVESCAP	1,800	743	+21
ASDA Group	5,000	211½	-¼
Abbey National	3,800	1171	-10

[illegible]

CONTRACTS & TENDERS

CROATIAN INSTITUTE FOR HEALTH INSURANCE

HEADQUARTERS

10 000 ZAGREB, Margaretska 3

Republic of Croatia

In accordance with the Regulation stipulating the procurement of goods and services and contracting of works ("National Gazette" no. 142/97) the Croatian Institute for Health Insurance opens and announces the following

INVITATION TO BID

to select the most favourable bidder for supply of dentist's equipment

I.0. General data:

1. **Buyer:** Croatian Institute for Health Insurance, Zagreb, Margaretska 3, Republic of Croatia
2. **Subject:** supply and delivery of 450 pieces of dentist's equipment for health centres, private dentist practice, dentist polyclinics and Academy of dentists according to standards and norms mentioned in bidding documents.

II The bidders may be domestic or international (legal or physical) persons, registered for manufacturing or trade of medical equipment stated in subject. The bidders are to attach registration documentation or, if they are not doing business in the Republic of Croatia, they should have the authorized agent in the Republic of Croatia.

The bidding is, with the application of national privilege, for domestic bidders under the terms defined in article 8. of Regulation stipulating the procurement of goods and services and contracting of works.

Capability of domestic bidders will be determined upon the attached documentation, according to the article 6 of Regulation stipulating the procurement of goods and services and contracting of works.

III The bid must comprise:

1. name, residence and address of a bidder(telephone/telefax);
2. accurate specification (producer, type, technical characteristics) of the bidding equipment, according to the tables in the bidding documents;
3. unchangeable unit and total price of equipment CIP end user in USD for bidder from abroad with all cost, without custom, including installation, trial work and education, without value added tax, and for domestic bidders including all above mentioned costs including custom and value added tax;
4. terms and conditions of delivery and installation, in working days;
5. terms and conditions of payment;
6. the statement of quality of the equipment;
7. quality guarantee period with conditions for servicing out of that period (servicing periods, spare parts and consumption materials);
8. information about obligatory service met in the Republic of Croatia;
9. guarantees

   a) bank guarantee for bid security in the amount of 2% of total bid value which is valid 30 days after expiration of bid validity date - original document -,

   b) producer statement on enclosed form stating to provide the bank guarantee in order to fulfill contract obligations in case his bid wins - delivery on the amount not less than 5% of agreed amount, which is valid 30 days after expiration of all contract obligations of the supplier;
10. bid validity until September 30,1998;
11. Filled and verified bid documentation;
12. other advantages and conveniences that bidder offers.

IV The bid must contain evidence and documents for establishment of bidder ability:

1. registration document and export-import license;
2. reference list up to now;
3. evidence about financial stability and effectivity not older than 60 days;
4. the receipt of registration into the register of representatives for foreigners in the Republic of Croatia, or certificate about the branch-office registration into the Trade Court in the Republic of Croatia;
5. prospectus materials (prospectuses, catalogues, technical documentation, explanations etc.).

V The bid language is Croatian or English.

VI Bidding documentation may be obtained by prospective bidders from April 23, 1998 till May 14,1998, from 9-15 hours, on the address: Croatian Institute for Health Insurance, Zagreb, Margaretska 3, room 19/I, upon the presentation of record of payment of the amount of 300,00 USD. The payment should be effected to the foreign exchange account number 30101-620-37-7022-0682800-3838 or if in kuna (local currency) in its equivalent amount according to the rate of exchange of the National Bank of Croatia effective on the day of payment, to the account number 30102-640-609 in favour of the Croatian Institute for Health Insurance - Headquarters, Zagreb, Margaretska 3, with obligatory preliminary notification on telephone (00 385 1) 425 666 /82.
The paid compensation will not be returned.

VII The standards for bid evaluation are part of the bidding documentation.

VIII The bids must be delivered in closed and sealed envelopes by mail or personal delivery, with the name and address of the bidder and the following mark: "BID FOR INVITATION TO BID - SUPPLY OF DENTIST'S EQUIPMENT - DO NOT OPEN!" until May 20, 1998, till 2 p.m., in the following manner

- *until May 19,1998 till 4 p.m.* on the address: Croatian Institute for Health Insurance - Headquarters, 10 000 ZAGREB, Margaretska 3/II, *Republic of Croatia*

- *May 20, 1998, from 8 a.m. to 2 p.m.* on the address: Zagreb fair, Avenija Dubrovnik 15, Zagreb (South entrance, I. floor, hall "Brijuni").

The final term for bid submitting is May 20, 1998, until 2 p.m. however it will be delivered.

Bids submitted after the stated deadline will not be evaluated.

IX The public opening of bids will be on May 20, 1998, at 2 p.m. on the address: Zagreb fair, Avenija Dubrovnik 15, Zagreb (South entrance, I. floor, hall "Brijuni"). The producers representative can be present at public bid opening only upon the presentation of the written authorization.

X The bidders will be informed about the results of the invitation within the 8 days period after the selection of the most favourable bidder.

CROATIAN INSTITUTE FOR HEALTH INSURANCE
ZAGREB, MARGARETSKA 3

هكذا من الاصل

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 21 / Sch)

BELGIUM/LUXEMBOURG (Apr 21 / Frs.)

CZECH REP (Apr 21 / Korona)

DENMARK (Apr 21 / Kr)

FINLAND (Apr 21 / Mkk)

FRANCE (Apr 21 / Frs.)

GERMANY (Apr 21 / Dm.)

GREECE (Apr 21 / Drachma)

ITALY (Apr 21 / Lira)

NETHERLANDS (Apr 21 / Fls.)

NORWAY (Apr 21 / Kroner)

POLAND (Apr 21 / Zloty)

PORTUGAL (Apr 21 / Escudo)

SPAIN (Apr 21 / Pts.)

SWEDEN (Apr 21 / Kronor)

SWITZERLAND (Apr 21 / Frs.)

TURKEY (Apr 21 / TL Lira)

PACIFIC

JAPAN (Apr 21 / Yen)

AUSTRALIA (Apr 21 / AustS)

HONG KONG (Apr 21 / HK$)

INDONESIA (Apr 21 / Rupiah)

MALAYSIA (Apr 21 / MYR)

NEW ZEALAND (Apr 21 / NZ $)

SINGAPORE (Apr 21 / S$)

SOUTH KOREA (Apr 21 / Won)

TAIWAN (Apr 21 / TW $)

THAILAND (Apr 21 / Baht)

AMERICAS

CANADA

TORONTO (Apr 21 / Can $)
4 pm close

MONTREAL (Apr 21 / Can $)
4 pm close

MEXICO (Apr 21 / Peso)
12.30pm

AFRICA

SOUTH AFRICA (Apr 21 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY APRIL 20 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY APRIL 17 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	216.48	-0.9	191.20	180.93	202.83	222.95	0.1	3.49	218.42	192.19	181.79	205.24	222.66	243.87	190.26	220.43
Austria (23)	225.44	1.7	199.13	188.43	211.25	211.10	1.4	1.55	221.62	195.01	184.45	208.25	208.11	225.44	179.21	180.38
Belgium (26)	331.65	1.3	293.13	277.37	310.95	304.78	1.2	2.37	327.48	288.15	272.56	307.73	301.19	331.65	234.33	235.51
Brazil (30)	265.69	-0.2	234.60	221.99	248.87	556.09	-0.2	1.64	266.18	234.21	221.54	250.13	558.08	322.44	184.94	296.61
Canada (120)	248.46	0.2	219.47	207.67	232.81	258.70	-0.1	1.58	247.96	218.18	206.38	233.01	256.61	248.48	182.91	183.70
Denmark (34)	519.30	0.6	458.71	434.05	486.60	485.47	0.4	1.24	516.00	454.04	429.47	484.89	483.67	521.81	354.85	354.85
Finland (26)	425.55	2.8	375.90	355.69	398.76	488.84	2.5	1.85	413.79	364.10	344.40	388.84	476.51	425.55	247.33	247.42
France (79)	304.48	0.8	268.95	254.49	285.31	288.55	0.6	2.02	301.94	265.68	251.30	283.73	286.90	305.13	208.81	212.40
Germany (58)	290.93	3.1	256.99	243.17	272.62	272.62	2.8	1.21	282.14	248.26	234.82	265.12	265.12	290.93	196.36	197.30
Hong Kong, China (66)	336.90	1.3	297.59	281.60	315.69	335.15	1.4	4.71	332.47	292.54	276.71	312.42	330.69	580.03	262.93	452.42
Indonesia (27)	58.03	0.6	51.26	48.50	54.38	288.36	0.6	2.33	57.70	50.77	48.02	54.22	286.71	254.90	27.67	227.45
Ireland (16)	551.63	1.2	487.27	461.08	516.90	555.68	0.9	1.75	545.22	479.74	453.78	512.34	550.52	551.63	328.78	332.50
Italy (54)	172.88	-0.3	152.71	144.50	162.00	290.07	-0.6	1.10	173.43	152.60	144.35	162.97	291.38	177.15	85.70	87.86
Japan (480)	95.44	-0.5	84.30	79.77	89.43	79.77	0.0	0.99	95.89	84.37	79.81	90.10	79.81	141.12	88.52	112.93
Malaysia (107)	186.50	1.0	164.74	155.89	174.76	271.87	0.9	2.54	184.64	162.47	153.68	173.51	269.51	555.79	113.56	548.04
Mexico (29)	1722.50	1.9	1521.52	1439.74	1614.08	15963.74	1.7	1.44	1690.09	1487.13	1406.66	1588.16	15703.07	1901.98	1335.40	1366.19
Netherlands (19)	505.90	1.8	446.87	422.85	474.05	468.61	1.5	1.97	496.83	437.16	413.51	466.87	461.54	507.01	343.70	343.70
New Zealand (14)	75.41	-0.3	66.62	63.03	70.67	72.23	0.5	4.52	75.62	66.54	62.94	71.06	71.89	96.47	71.49	85.18
Norway (36)	345.15	1.2	304.88	288.49	323.42	350.11	0.9	1.79	340.92	299.98	283.75	320.36	347.07	374.64	281.62	293.96
Philippines (22)	98.27	-1.5	86.81	82.14	92.08	188.84	-0.9	1.10	99.72	87.75	83.00	93.71	188.60	179.40	57.54	178.33
Singapore (42)	210.80	-0.5	186.20	176.19	197.53	155.48	-0.5	1.96	211.81	186.37	176.29	199.03	156.17	401.75	144.01	392.61
South Africa (43)	346.20	2.7	305.81	289.37	324.41	382.13	2.9	2.33	337.12	296.64	280.59	316.79	371.48	365.52	227.66	355.85
Spain (31)	393.15	0.6	347.28	328.61	368.40	456.13	0.6	1.68	389.85	343.04	324.48	366.34	453.34	395.69	220.22	220.22
Sweden (49)	600.98	0.3	530.86	502.32	563.14	687.46	-0.2	1.70	599.17	527.22	498.69	563.04	686.67	610.82	406.00	421.43
Switzerland (30)	398.54	0.9	352.04	333.11	373.45	369.23	0.7	1.06	394.84	347.42	328.62	371.03	366.76	406.53	260.65	260.65
Thailand (39)	27.28	-0.4	24.10	22.80	25.56	41.56	-0.9	7.22	27.39	24.10	22.80	25.74	41.94	82.81	13.10	82.81
United Kingdom (209)	391.37	0.1	345.70	327.12	366.73	345.70	0.5	2.83	390.91	343.97	325.36	367.34	343.97	401.84	280.28	280.28
USA (637)	459.70	0.1	406.06	384.24	430.76	459.70	0.1	1.39	459.24	404.09	382.23	431.55	459.24	459.70	307.98	310.76
Americas (816)	416.93	0.1	368.28	348.48	390.68	352.09	0.1	1.40	416.44	366.43	346.61	391.33	351.73	416.93	281.84	284.31
Europe (894)	359.59	0.9	317.63	300.56	336.95	389.40	0.9	1.99	356.28	313.50	296.54	334.80	336.47	363.50	242.96	242.96
Nordic (149)	525.87	0.9	464.52	439.55	492.77	530.67	0.5	1.66	521.39	458.78	433.95	489.95	528.25	529.37	355.77	363.15
Pacific Basin (870)	106.37	-0.3	93.96	88.91	99.67	89.58	0.1	1.65	106.69	93.88	88.80	100.26	89.47	158.99	95.32	131.95
Euro-Pacific (1564)	211.90	0.6	187.18	177.12	198.56	183.84	0.7	1.89	210.72	185.42	175.38	198.01	182.46	216.04	172.03	178.23
North America (757)	446.28	0.1	394.21	373.02	418.18	446.06	0.1	1.40	445.82	392.28	371.05	418.93	445.65	446.28	300.29	302.96
Europe Ex. UK (485)	332.35	1.4	293.57	277.79	311.42	326.09	1.1	1.55	327.92	288.54	272.93	308.15	322.64	333.96	216.94	217.59
Pacific Ex. Japan (390)	203.10	0.2	179.40	169.76	190.31	204.09	0.6	3.80	202.66	178.32	168.67	190.44	202.81	318.98	161.31	291.83
World Ex. US (1786)	216.44	0.8	191.18	180.91	202.81	191.57	0.7	1.87	215.20	189.36	179.11	202.22	190.35	220.18	175.30	181.56
World Ex. UK (2214)	285.70	0.4	252.36	238.80	267.71	281.26	0.3	1.48	284.68	250.49	236.94	267.51	280.35	287.02	217.14	217.17
World Ex. Japan (1943)	393.65	0.4	347.72	329.03	368.87	386.52	0.4	1.70	392.00	344.93	326.26	368.36	384.94	394.39	277.85	278.54
The World Index (2423)	294.85	0.3	260.27	246.28	276.10	268.93	0.4	1.53	293.68	258.41	244.43	275.97	267.85	296.57	222.53	222.53

Emerging markets: IFC Investable indices

4 pm close April 21

NEW YORK STOCK EXCHANGE PRICES

1998 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W -

- X - Y - Z -

1998 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
114⅝	85⅝	Xerox	1.44	1.3	25	23062	110⅝	108¼	110½	+3⅛
65⅛	57¼	Xtra Corp	0.80	1.4	19	64	61⅛	61⅛	61⅛	+⅛
28⅜	24⅛	Yankee Egy	1.34	5.5	14	80	24½	24⅛	24½	+⅛
49⅛	34⅛	York Int	0.48	1.0	42	1778	47⅞	46⅝	47⅛	-⅛
13¼	6⅞	Zapata	0.35	2.4	28	745	11⅛	10¾	11½	+⅛
7⅛	2⅝	ZenithE				5945	4⅛	4⅛	4⅛	-⅛
30	24½	Zenith Nat	1.00	3.3	18	31	u30⅛	30⅛	30⅛	+⅛
8⅛	7⅛	Zenix Inc x	0.73	9.8		222	7⅛	7½	7½	
33½	25	Zero	0.12	0.4	19	333	32⅛	31⅞	32⅛	+⅛
14⅛	12⅞	ZweigFd x	1.32	10.1		344	13⅛	13	13⅛	-⅛
9⅛	8⅞	Zweig Tot x	0.84	9.3		852	9⅛	d8⅞	9	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 20	Apr 17	Apr 16	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9141.84	9167.50	9076.57	9167.50 (17/4)	7580.42 (9/1)	9167.50 (17/4/98)	41.22 (8/7/32)
Home Bonds	105.11	105.40	105.36	105.48 (15/1)	104.82 (28/1)	105.48 (15/1/98)	54.98 (1/10/81)
Transport	3660.23	3685.28	3686.02	3686.02 (16/4)	3104.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	288.32	289.58	286.22	291.18 (2/4)	262.66 (9/1)	291.18 (2/4/98)	10.53 (8/7/32)

DJ Ind. Day's high 9245.22 (9213.68) Low 9027.26 (9010.06) (Theoretical) Day's high 9172.73 (9167.50) Low 9061.62 (9052.91) (Actual)

Standard and Poors	Apr 20	Apr 17	Apr 16	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1123.65	1122.72	1108.17	1123.65 (20/4)	927.69 (9/1)	1123.65 (20/4/98)	4.40 (1/6/32)
Industrials♥	1302.66	1298.04	1281.47	1306.33 (3/4)	1077.40 (9/1)	1306.33 (3/4/98)	3.52 (30/6/32)
Financial♥	138.81	139.97	137.89	140.63 (14/4)	110.65 (9/1)	140.63 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	584.01	584.11	578.91	584.11 (17/4)	487.47 (9/1)	584.11 (17/4/98)	4.64 (25/4/42)
Amex Comp	747.95	744.37	739.35	747.95 (20/4)	645.41 (12/1)	747.95 (20/4/98)	624.20 (16/7/98)
NASDAQ Cmp	1887.14	1866.60	1858.24	1887.14 (20/4)	1503.22 (9/1)	1887.14 (20/4/98)	54.87 (3/10/74)
Russell 2000	488.81	487.01	484.41	488.81 (20/4)	410.89 (12/1)	488.81 (20/4/98)	123.36 (7/12/93)

RATIOS

	Apr 17	Apr 3	Mar 27	Year ago
Dow Jones Ind. Div. Yield	1.53	1.56	1.59	1.82
	Apr 15	Apr 8	Apr 1	Year ago
S & P Ind. Div. yield	1.31	1.33	1.31	1.82
S & P Ind. P/E ratio	30.69	30.27	30.64	21.85

US DATA

MARKET ACTIVITY

[illegible]

NYSE TRADING ACTIVITY

[illegible]

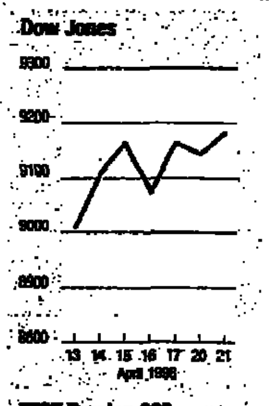
NASDAQ TRADING ACTIVITY

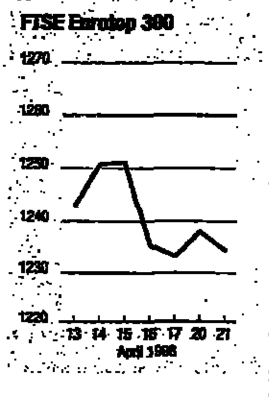
ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Netscp	12,699,900	25¾	+2⅞
Micsft	11,362,800	94⅝	+2½
Intel	10,084,100	78⅝	+1⅞
DellCmp	9,242,800	88⅞	+2¼
3Com	7,441,700	34⅞	+1⅞
CiscoSys	7,106,800	72¼	+1⅞
WrldCo	7,079,100	44	-⅛
SunMic	6,328,000	40⅞	+⅝
AppMat	6,173,700	36⅞	+1¼
Oracle	6,037,800	27⅝	+¼

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Remedy	25⅛	+3⅞	+17.3
Showbiz P	37⅝	+4⅝	+14.8
Intervoic	12¾	+1½	+13.3
Borland	11⅝	+1⅛	+13.0
Downs			
Cntrl Spr	12	-1⅛	-8.4
ExcelSw	20⅝	-1⅞	-8.3
IFR Sys	20⅝	-1⅝	-7.4
Trkydc	32	-2½	-7.2





JAPAN

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

UK

[illegible]

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	1129.40	1126.60	-2.40	1131.20	1125.70	81,797	342,577
Sep	1142.40	1138.70	-2.40	1142.70	1138.50	217	10,461
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Jun	15770.0	15800.0	+50.0	15940.0	15590.0	21,424	189,801
Sep	15880.0	15690.0	+10.0	15690.0	15680.0	2	12,791

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low
Apr	3858.0	3858.0	-22.0	3872.0	3835.0
May	3838.0	3843.0	-22.0	3844.5	3817.0
DAX					
Jun	5414.0	5387.0	-44.0	5430.0	5348.5
Sep	5464.0	5435.0	-37.0	5464.0	5400.0

WORLD MARKETS AT A GLANCE

Country	Index	Apr 21	Apr 20	Apr 17	1998 High	1998 Low	Yield	P/E
Argentina	General	23032.53	22561.05	22748.53	23485.47 23/3	18237.40 2/1	2.9	18.6
Australia	All Ordinaries	2866.4	2872.5	2867.5	2881.40 16/4	2542.40 12/1	3.2	20.7
	All Mining	578.8	576.1	679.9	681.80 16/4	552.28 13/1		
Hungary	Bux	8891.61	8874.82	8759.54	8878.30 14/4	7280.79 12/1		
India	BSE Sens.	4280.96	4210.73	4186.78	4280.96 21/4	3209.55 29/1		
	Crisil 500	815.62	798.61	788.11	815.62 21/4	594.38 29/1		

Argentina: Edged marginally higher as some investors were encouraged by central bank's move to make bank ratings mandatory.

Australia: Metal Manufactures jumped after announcing a corporate restructuring.

Hungary: Shares pulled higher in spite of declines in blue chips thanks to strength in two leading drug stocks.

India: Hopes that the government had overcome its troubles boosted shares.

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Weak dollar weighs heavily on sentiment

WORLD OVERVIEW

The dollar dictated the direction yesterday, losing ground against the D-Mark and pushing leading equity markets lower in the process, *writes Jeffrey Brown*.

Weaker overnight in New York, *the dollar fell through* the DM1.80 support level in morning trading in Europe and quickly cut a swathe through investor sentiment.

There were pockets of resistance, notably a record in Helsinki, but most markets succumbed to the edginess that has crept into trading in recent sessions and trudged lower.

The mood was not helped by another downside session across Asia, where, with the exception of Tokyo, markets were *uniformly* weak. Sentiment was further kept on hold by an uncertain opening on Wall Street.

The US currency has fallen more than 3 per cent since the start of the month and is now more than 8 pfg adrift of its peaks of last August. And yesterday the currency bears were beginning to make unmistakable growling sounds.

The *dollar fell* precipitously between August and November last year, sliding 10 per cent. Talk of an official upward nudge for interest rates by the Bundesbank is again at the top of the agenda following a a 5.1 per cent jump for German money supply in March.

Salomon Smith Barney's weekly portfolio strategy suggests "a weaker dollar trend would provide good reason to expect European market performance to slow down".

The broker claims to be underweight in dollar-sensitive markets such as Germany, the Netherlands and Sweden. "If dollar weakness goes much further, we would expect to see this market tilt paying off."

In marked contrast to the broad trend across Europe, Athens came back with a bang from its four-day Orthodox Easter break, jumping 7.3 per cent and extending its gains since the *middle of March – when the* drachma formally joined the European exchange rate mechanism – to a breathtaking 71 per cent.

Even allowing for last month's drachma devaluation, which shrinks the gains closer to 50 per cent, the performance remains outstanding. Deutsche Morgan Grenfell is a confident bull, suggesting that the upturn *for Greek shares over* the past six weeks is a prelude to yet faster growth.

This level of performance is not entirely risk-free, however. The broker rightly draws attention to Greece's worrying external budget deficit and hints at the prospect of a further devaluation before final entry to European economic and monetary union 2001.

Bank results help boost US equities

AMERICAS

US shares edged higher in light early trading as major banking companies released quarterly results, writes John Labate in New York.

By early afternoon the Dow Jones Industrial Average was 9.22 higher at 9,151.06. The broader Standard & Poor's 500, however, was *easier, down less than* one point at 1,123.15.

In spite of ongoing earnings releases, falling bond prices continued to be a concern for the market. "It's been individual stock news versus the interest rate environment," said Dan Mathisson, head stock trader at *D.E. Shaw Securities in New* York.

Bond prices moved lower after a Federal Reserve governor made bearish comments in a morning interview. In addition, bonds fell under pressure from a falling US dollar and a strong supply of corporate bonds.

By *early afternoon the* benchmark long bond had lost $\tfrac{1}{16}$ to $102\tfrac{5}{32}$, sending the yield up to 5.942 per cent.

IBM shares surged $\$5\tfrac{1}{4}$ or 4.9 per cent to \$115 after the company reported a 13 per cent drop in first-quarter profits.

In the banking sector, *Chase Manhattan was a* strong performer, climbing $\$4\tfrac{1}{16}$ to $\$139\tfrac{1}{4}$ after the company topped earnings estimates. But Wells Fargo, which also beat profit expec*tations, fell* $\$5\tfrac{13}{16}$ *to* $\$376\tfrac{1}{16}$. The sector, though, was generally lower.

IBM's rally helped support other technology shares. Intel climbed $\$1\tfrac{13}{16}$ to $\$78\tfrac{5}{16}$ and Hewlett-Packard rose $\$1\tfrac{13}{16}$ to $\$66\tfrac{1}{4}$. But a "neutral" rating for Oracle, the software company, by Salomon *Smith Barney, sent its* shares down $\$\tfrac{1}{16}$ to $\$27\tfrac{5}{16}$.

Market Guide, an online service, soared more than 200 per cent or $\$18\tfrac{3}{4}$ to $\$26\tfrac{5}{16}$ after the company announced a new service provided to America Online. AOL shares fell back, however, down $\$1\tfrac{1}{16}$ to $\$74\tfrac{3}{4}$.

TORONTO moved higher in early trading, thanks to a strong run for heavyweight Barrick Gold, which turned in unexpectedly solid quarterly earnings. The 300 composite index was up 22.82 or 0.29 per cent at 7,731.57.

Barrick surged C\$1.15 to C\$31.80 after profits for the *March quarter came in sol*idly in the black, confounding sceptics and running counter to the weakness of the bullion price over much of the period.

Canadian Pacific also responded positively to upbeat earnings, adding 80 cents to C\$41.20. CT Finan*cial crumpled badly, sliding* C\$3.55 or 5.4 per cent to C\$61.50 on the news that it had ruled out a merger.

Earnings lift Mexico City

MEXICO CITY gained more than 1 per cent as investors were encouraged by the spate of strong first-quarter earnings announcements. Hopes of lower interest rates also supported share prices and the IPC index rose 56.52 to 5,222.89.

Cemex, which rose sharply on Monday following firm first-quarter profits, was unchanged at 50 pesos.

SANTIAGO was pulled down by Endesa, the utilities giant. The IPSA index lost 0.7 or 0.7 per cent to 96.91.

Endesa lost 2 pesos to 253 pesos. CMS Energy of the US said on Monday that it was reconsidering its participation in a natural gas pipeline, in which Endesa has a 40 per cent stake, running between Argentina and Chile.

Anglo leads Jo'burg falls

SOUTH AFRICA

Shares in Johannesburg ran into profit-taking, with leading conglomerate Anglo American sliding nearly 6 per cent to R277. The all share index ended 76.5 lower at 8,282.2.

The *industrials index* lost 71.0 at 9,871.3, with oils and chemicals leader Sasol falling R1.50 to R55. De Beers came off R5.80 to R130.20.

Golds gained modestly. The golds index tracked steady bullion, adding 7.8 to 948.5.

Late rally fails to raise Dax

EUROPE

Shares in FRANKFURT picked up in late electronic trade from midsession levels, but the Xetra Dax index finished 34.13 lower on the day at 5,373.80.

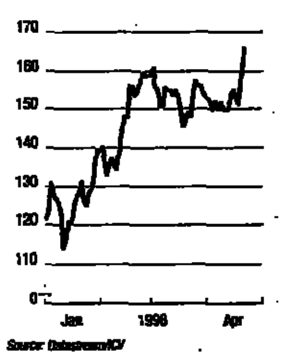
Analysts said the weaker dollar left investors shun*ning export-sensitive stocks,* such as chemicals and cars, in favour of the banking sector, which continued to be driven by merger talk.

SAP preference shares were held in check by some profit-taking, but still closed DM1.85 higher at DM940.30 in response to the group's *better-than-expected first*-quarter results.

Car stocks were among the days major losers, with BMW down DM64.50 to DM2,027.50 and Volkswagen DM64 weaker at DM1,428.50 as the company prepared to get board backing for a revised bid for Rolls-Royce *Motor of the UK.*

Philips

Share price (Fl)



Source: Datastream/ICV

Financials continued to outperform the broader market on merger speculation. Dresdner Bank was up DM2.45 to DM102.35 while Allianz put on DM5 to 624.

PARIS was weaker although the downward pressure was eased by selective demand for second-line stocks. The CAC 40 index finished 25.29 lower at 3,860.40, up from a low of 3,822.54.

Against the trend, nickel miner Eramet surged FFr19.70 to FFr284.50 after the French government said it had signed an accord with separatist and loyalist forces on the future of South Caledonia where Eramet operates.

Alcatel Alsthom lost FFr30 or 2.6 per cent to FFr1,115 after a 1.9 per cent or \$590m stake was placed by Morgan Stanley on Monday night.

Credit Lyonnais closed down FFr27 or 4.3 per cent at FFr605 on continuing concerns over the reported discord between the French government and European Commission over a proposed *state aid package, dealers* said.

ZURICH was hit by heavy losses in Novartis as the pharmaceutical giant's first-quarter sales figures failed to live up to expectations. The SMI index lost 131 or 1.8 per cent to 7,369.1, also depressed by a sagging bond *market and weaker dollar.*

Novartis lost SFr94 or 3.7 per cent to SFr2,470 as the group failed to achieve even the modest growth in sales that analysts had expected.

Certificates in Roche, its rival, added SFr65 to SFr15,350, regaining more of the ground lost last week.

Cement group Holderbank was another outperformer, with a rise of SFr5 to SFr1,636 after saying net profit before minorities should rise by 10-15 per cent in 1998.

AMSTERDAM moved higher, helped by another strong run for market heavy*weight Philips. The AEX* index ended up 6.56 at 1,187.97.

Philips continued to gain ground in anticipation of bumper results and – just possibly – news of further reorganisation when the electronics giant unveils first-quarter results today. The shares rose Fl 8.20 to Fl 167 for a two-day advance of more than 10 per cent.

Heineken continued to rise, adding Fl 7.60 to Fl 508. Akzo Nobel, a strong market on Monday following confirmation of its \$3.1bn bid for Cortaulds of the UK, ran into profit-taking, shedding *Fl 4.40 to Fl 428.60.*

MILAN closed marginally higher, supported by a rally in Eni, the oil and gas company. The Mibtel index finished a volatile day up 102, or 0.4 per cent, to 25,301.

Eni rose L475 or 4 per cent to 12,240 ahead of its post-market announcement of 1997 earnings. Banca Commerciale Italiano, which had gained ground recently on hopes that it would be the next bank to announce a merger, fell L14 to L10,299 on profit-taking. Alitalia rose L146 to L38,446 ahead of its capital increase next month.

MADRID headed lower on profit-taking. The general index closed down 5.44 at 906.13 with investors focused on the spate of first-quarter results to be released over the next couple of weeks. *Telefónica was off Pta70 to* Pta6,590.

VIENNA bucked the trend, as solid demand sent the ATX index 27.54 higher to 1,534.54 for a two-day rise of 3.2 per cent.

Salomon Smith Barney, which has issued an upbeat report on the Austrian mar*ket, argues that shares not* only look cheap against their German counterparts, but that the valuation differential is likely to reduce.

ATHENS surged 7.3 per cent as the outlook for the privatisation programme and corporate moves in the banking sector continued to fuel strong demand. The general index rose 179.35 to 2,627.90.

One analyst noted many prices were capped only by the daily volatility limit of 8 per cent. A high proportion *of shares closed bid-only* and with a large proportion of the total demand remaining unsatisfied.

Nicholas Georgiadis at Omega Securities in Athens noted that activity within the banking sector began earlier in the month with the sale of the state-owned Macedonia Thrace Bank and continued last week with the merger of National Bank and National Mortgage Bank.

News of further deals could soon be on the way, he said. National Bank surged Dr3,712 to Dr50,112 while National Mortgage Bank climbed Dr490 to Dr28,490.

HELSINKI closed up more than 1 per cent at a record led by Nokia, which breached a fresh high. The HEX index closed up 55.25 to 4,922.22.

Nokia closed up FM7.6 to FM363.60 while UPM-Kymmene, the paper and pulp company, rose FM2 to *FM169.*

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono, Paul Gregan and Bob Sherwood

FTSE Actuaries Share Indices — European series

April 21

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1234.24	–0.08	–1.00	1.90	6.28	1250.55
FTSE Eurotop 100	2822.01	–0.40	–11.30	–	–	–
FTSE Eurotop 300 Regions						
300 UK	1175.70	–0.55	–6.45	2.77	12.94	1209.08
300 Ex-UK	1258.24	+0.17	+2.10	1.45	2.49	1274.14
300 Eurobloc	1256.17	+0.45	+5.58	1.60	2.29	1263.48
300 Ex-Eurobloc	*1221.50*	*–0.47*	*–5.71*	*2.13*	*8.15*	*1244.03*
FTSE Eurotop 300 Economic Groups						
Resources	1027.47	+1.00	+10.20	2.68	6.89	1049.17
General Industries	1174.29	–0.29	–3.37	1.80	6.21	1183.78
Consumer Goods	1141.44	–0.93	–10.66	1.62	5.79	1159.57
Services	1174.30	–0.34	–4.04	1.87	5.24	1189.03
Utilities	1339.83	+0.10	+1.28	3.27	1.84	1358.09
Financials	1417.17	+0.36	+5.13	1.75	8.10	1434.29

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EMERGING MARKET FOCUS

Analysts split top to bottom

One of the outcomes of last year's Asian financial turmoil on emerging market analysis has been the shift from bottom-up research, focusing on corporate valuations, to the top-down approach based on macroeconomic and *political* factors.

"The Asian crisis has *momentarily put global sec*toral research on hold," says Laurence Heyworth, director of Flemings' global emerging markets research. During the two-year run-up to the crisis, a backdrop of stable *inflation, steady currency* markets and high economic growth allowed emerging market analysts to focus on individual corporate analysis, hence missing the macro risks, he says.

The argument for a more macro approach is supported by the theory that although the opportunities in emerging markets are stock-specific, the risks are macro-based. A focus on indicators such as foreign exchange rates, current account balances and bad debt levels should have helped investors exit on time.

But some of the better performers in emerging markets in the past year have been the bottom-up stock pickers, says Rob Hall, senior analyst at Frank Russell, the asset management consultants.

Foreign & Colonial Asset Management, for instance, analyses companies on a return on capital (ROC) basis. It had started to remove Asian companies from its portfolio as early as 1996 based on an ROC corporate ranking.

"They kept on coming at the bottom of the pack and we *were forced to sell Asia* and buy Latin America and eastern Europe," says Arnab Banerji, chief investment officer.

On the other hand, country-by-country asset allocators were the winners in Asia during the first quarter this year, as investors felt the markets *had fallen* too far and bought back shares as the currencies rebounded.

"It has been difficult for the bottom-up guys as they saw these companies, which were technically bankrupt, rally," says Matthew Merritt, strategist at ING Barings.

Such *developments* highlight the importance of the ability to alternate between top-down and bottom-up research. Now the rush to buy Asia has subsided, the top-down phase may be over.

While it will be crucial to keep a close eye on macroeconomic indicators, the *ability to pick out the real* winners from the losers using valuation methods will become vital.

Mr Hall says the better-resourced research teams with the ability to cover both macro and micro factors will be in a strong position. Playing the emerging *markets will be increasingly* difficult for small niche players, he says.

Emiko Terazono

Asian trouble indicators

	Korea	Indonesia	Malaysia	Philippines	Singapore	Thailand
Exchange rate appreciation* (1990-96)	-18	5	7	20	16	25
1996 current account (% of GDP)	-4.9	-3.4	-6.0	-5.9	16.3	-8.2
1996 total bank lending (annual % change)	20.0	21.5	20.2	48.7	15.8	14.8

Source: NatWest Markets

*Adjusted for inflation and trade-weighted

Rate rise sends Jakarta down

ASIA PACIFIC

A fresh rise in interest rates and rumours that the government may freeze the operations of some key banks sent JAKARTA down 2.1 per cent.

The composite index *closed 10.45 lower at 497.71* in turnover of Rp555bn.

One broker said the Indonesian Banking Restructuring Agency was expected to make a statement on ailing banks today. He said investors were speculating that the agency would announce the freezing of licences of some banks under its surveillance, including Bank Danamon and BDNI.

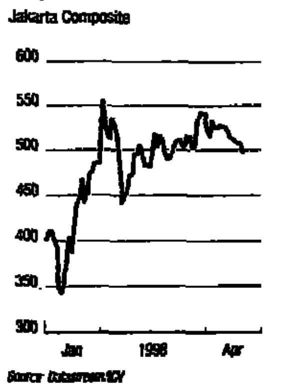
BDNI closed down Rp25 at Rp150, while Danamon closed flat at Rp225.

*TOKYO was pushed mar*ginally higher yesterday on rumours that the government might take measures to rescue the moribund property market, *writes Paul Abrahams in Tokyo.*

The benchmark Nikkei 225 index rose 128.57 or 0.82 per cent to 15,825.67. The index moved within a narrow band between 15,582 and 15,927. The Topix index of all first-*section shares rose 7.8 or* 0.65 per cent to 1,220, the first time the average had gone up in seven days. But volumes remained meagre at *just 320m as investors* waited for details of the latest economic package, due to *be announced tomorrow or* Friday.

Indonesia

Jakarta Composite



Source: Datastream/ICV

Real estate stocks rallied 1.8 per cent. Mitsui Fudosan rose Y18 to Y1,210, Mitsubishi Estate Y31 to Y1,278. Sumitomo Realty and Development was up Y11 to Y671.

Banks, which have huge exposure to property and construction companies, also advanced, up 1.3 per cent. Industrial Bank of Japan *improved Y11 to Y889.* Dai-Ichi Kangyo Y10 to Y880, and Bank of Tokyo Mitsubishi Y34 to Y1,627.

Nissan, which issued a profits warning this week, continued to crumble, down Y35 or 7.8 per cent to Y412. Other automotive stocks shook off low production figures, with Honda up Y110 at *Y4,610 and Toyota up Y30* to Y3,430.

The decision by unions to suspend the strike at ANA helped the stock, which rebounded Y20 to Y585.

In Osaka, the OSE index rose 116 points to 16,433.

HONG KONG tumbled 1.6 per cent on the heels of derivatives-linked trading, and weak volume exaggerated the fall. The Hang Seng index dropped 183.37 to 10,968.26 in turnover of HK\$5.8bn.

HSBC dragged the *market* lower as it continued to ease after a strong performance last week on the back of the bank mergers in the US. The share shed HK\$6 to HK\$229, accounting for 77.93 points of the Hang Seng index loss.

China Telecom eased 10 cents to HK\$15.90 on specu*lation that the company* might be about to make another acquisition.

China-linked shares were sharply lower. The China-Affiliated Corporations index fell 1.9 per cent while H shares lost 2.2 per cent.

KUALA LUMPUR moved lower following a spate of negative news and rumours.

Malaysian car sales for March declined steeply, and late in the session came a rumour that Sime Darby had been forced to shelve the sale of its loss-making banking operation. The financial sector shed 2.3 per cent and Sime Darby lost 8 cents at M\$3.44. The composite index ended 10.31 or 1.6 per cent lower at 623.98.

SINGAPORE lost ground on the back of a weak property sector. Electronics were active with a number of second-line stocks in demand. Disk drive maker Brilliant Manufacturing jumped 3 cents to 51 cents. But the broad tone was dull with property shares leading the decline. Keppel Land fell 12 cents to S\$1.96. The Straits Times index gave up 18.05 or 1.2 per cent at 1,492.

SYDNEY succumbed to modest profit-taking but closed comfortably above the *session low. BHP fell 6 cents* to A\$15.59. The All Ordinaries index lost 6.1 at 2,866.4 after touching a low of 2,851.4.

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